

Via Care Community Health Center, Inc.

Financial Statements

June 30, 2016

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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, 2016, 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, 2016, 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 9, 2017, 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, 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 Via Care Community Health Center, Inc.'s internal control over financial reporting and compliance.



Irvine, CA
January 9, 2017

Via Care Community Health Center, Inc.

Statement of Financial Position

As of June 30, 2016

	Note	
Assets		
Current Assets		
Cash		\$ 558,863
Accounts receivable, net of allowance for bad debts	3	314,800
Inventory		48,383
Prepaid expenses & other current assets		131,539
Total Current Assets		1,053,585
Furniture and leaseholds, net of accumulated depreciation	4	367,511
Intangible assets, net of amortization	6	474,043
Goodwill	5	236,472
Other long term assets		34,757
Total Assets		\$ 2,166,368
Liabilities and Net Assets		
Current Liabilities		
Accounts payable		\$ 272,552
Accrued payroll		204,085
Accrued paid time off		103,205
Accrued liabilities		62,324
Current portion of long term liabilities	9	459,048
Total Current Liabilities		1,101,214
Long term debt, net of current portion	9	783,452
Total Liabilities		1,884,666
Net Assets		
Unrestricted net assets		281,702
Total Liabilities and Net Assets		\$ 2,166,368

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, 2016

	Note	Unrestricted
Revenue & Support		
Medical services		\$ 2,354,812
Grants		3,364,101
Contributions		170,470
In-kind revenue	7	225,801
Other income		15,684
Net assets released from restrictions		50,000
Total revenue and support		6,180,868
Expenses		
Program services		3,850,468
Management and general		1,769,127
Fundraising		94,667
Total expenses		5,714,262
Change in net assets		466,606
Net assets, beginning of the year		(184,904)
Net assets, end of the year		\$ 281,702

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 466,606
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	139,137
Allowance for bad debts	58,652
(Increase) decrease in:	
Accounts receivable	(171,037)
Inventories	(5,851)
Security deposits	(34,757)
Prepaid expenses	(88,026)
Increase (decrease) in:	
Accounts payable and accrued liabilities	573,275

Net cash provided by operating activities	937,999
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(364,430)
Purchase of practices	(780,000)

Net cash used by investing activities	(1,144,430)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from debt borrowings	1,442,250
Repayments of debt borrowings	(771,750)

Net cash provided by financing activities	670,500
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NET INCREASE IN CASH	464,069
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CASH, BEGINNING OF THE YEAR	94,794
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CASH, END OF YEAR	\$ 558,863
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Cash paid for interest	\$ 19,674
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, 2016

	Program Services	Support Services	Fundraising	Total Expenses
Salaries and wages	\$ 1,847,268	\$ 801,255	\$ 62,000	\$ 2,710,523
Payroll taxes and employee benefits	399,409	173,244	13,405	586,058
Total personnel costs	2,246,677	974,499	75,405	3,296,581
Program supplies	557,166	-	-	557,166
Contract services	305,106	364,702	-	669,808
Legal and accounting	214,772	110,774	5,780	331,326
Rent	137,697	74,577	3,891	216,165
Depreciation and amortization	103,723	56,176	2,931	162,830
Bad debts	74,614	-	-	74,614
Insurance	48,113	26,058	1,360	75,531
Staff related	32,194	22,312	292	54,798
Communications	32,082	17,376	907	50,365
Office supplies	26,898	14,568	760	42,226
Facility	24,635	13,342	696	38,673
Utilities	14,018	7,592	396	22,006
Dues and subscriptions	10,839	5,870	306	17,015
Meetings and conferences	10,325	5,592	292	16,209
Travel	4,466	6,151	1,528	12,145
Printing and postage	4,359	2,361	123	6,843
Bank fees and licenses	2,784	6,474	-	9,258
Interest and penalties	-	20,058	-	20,058
Miscellaneous	-	40,645	-	40,645
Total functional expenses	\$ 3,850,468	\$ 1,769,127	\$ 94,667	\$ 5,714,262

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, 2016

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 their 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 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, Via Care presently operates five sites: three primary-care clinics and a school-based wellness center at Garfield High School and a Behavioral Health office. A fourth primary care site will be opening in August. Via Care is moving toward creating 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 and patient donations and payments for service.

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, 2016

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”.

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, 2016.

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, 2016 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' 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.

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2016

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' 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 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 January 9, 2017, 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, 2016

3. Accounts receivable

The components of accounts receivable are as follows:

Trade accounts receivable	\$	168,847
Capitation receivable		85,473
Capitation - Annual reconciliation		81,481
Grants receivable		37,651
Allowance for doubtful accounts		(58,652)
	\$	314,800

Bad debt expense for the period was \$74,614.

4. Property and Equipment

Property and equipment is depreciated over its estimated useful lives, ranging from 4 to 10 years.

Cost less accumulated depreciation			
	Cost	Accumulated Depreciation	Net Book Value
Furniture and fixtures	\$ 105,852	\$ (36,555)	\$ 69,297
Leasehold improvements	170,500	(13,338)	157,162
Dental equipment	189,535	(48,483)	141,052
Total	\$ 465,887	\$ (98,376)	\$ 367,511

Depreciation expense for the year ended June 30, 2016 was \$116,245.

5. Acquisitions

During the year, Via Care acquired two medical practices. These acquisitions were accounted for as follows:

	Eastside Practice	Santa Rosa Practice	Total
Goodwill	\$ 140,472	\$ 96,000	\$ 236,472
Patient files	309,528	184,000	493,528
Equipment	25,000	25,000	50,000
Total	\$ 475,000	\$ 305,000	\$ 780,000

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2016

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	\$ (29,479)	\$ 280,049
Contracts & patient files - Santa Rosa	184,000	(13,143)	170,857
Electronic Health Records Software	39,668	(16,531)	23,137
Total	\$ 533,196	\$ (59,153)	\$ 474,043

Amortization expense for the year was \$55,845.

7. In-Kind Revenues

During the year, the Organization received \$171,876 in contributed legal services and \$53,925 of forensic accounting services related to the debt owed to Bienvenidos Children's Center.

8. Commitments and Contingencies

Obligations Under Operating Leases

On August 24, 2015, 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 three (3) years, commencing September 1, 2015. The base monthly rent is \$2,604.

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 base monthly rent is \$4,300.

On December 11, 2015, Via Care 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. The existing lease on 507 S. Atlantic Blvd continues on a month-to-month basis.

Space is leased at Garfield High School at a rate of \$931 per month, on a month-to-month basis.

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2016

Commitments and Contingencies (continued)

Obligations Under Operating Leases (continued)

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>
2017	\$ 361,481
2018	356,442
2019	302,169
2020	344,536
2021	392,536
Thereafter	2,148,900
<u>Total</u>	<u>\$ 3,906,064</u>

Rent expense under operating leases for the year ended June 30, 2016 was \$216,165.

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.

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2016

9. Long-term debt

Long-term debt consists of the following:

	<u>June 30, 2016</u>
Unsecured obligation under acquisition agreement for Eastside practice, 2.5% stated interest rate. Due in quarterly installments of \$25,625.	\$337,500
Unsecured obligation under acquisition agreement for Santa Rosa practice no stated interest rate. Due in quarterly installments of \$37,500.	205,000
Unsecured obligation under loan agreement for with CPCA Ventures, 3.75% stated interest rate. Due in monthly installments of \$20,425.	<u>700,000</u>
	<u><u>\$1,242,500</u></u>

Loan maturities for each of the five years following June 30, 2016 are as follows:

2017	\$ 459,048
2018	485,116
2019	277,715
2020	20,621
2021	-

10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 were \$0.

For the year ended June 30, 2016 net assets released from program restrictions were \$50,000.

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2016

11. Subsequent Events

Subsequent events were evaluated through January 9, 2017, the date the financial statements were available to be issued. Management has determined that no subsequent event activity required disclosure.

Supplemental Information

Via Care Community Health Center, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Name of Grant - Grant ID No.	Federal Expenditures (\$)
Department of Health and Human Services			
Family Planning Services	93.217		\$193,851
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80C526617	2,775,250
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79TI026277-01	445,000
Total Department of Health and Human Services			3,414,101
Total Expenditures of Federal Awards			\$ 3,414,101

Via Care Community Health Center, Inc.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Via Care Community Health Center, Inc. under programs of the federal government for the year ended June 30, 2016. 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 Via Care Community Health Center, Inc., the schedule 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 in the Schedule are reported on the accrual basis of accounting.

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, 2016, 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 January 9, 2017.

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 the 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 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 [2016-01, 2016-02].

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items [2016-01, 2016-02].

Via Care Community Health Center, Inc.'s Response to Findings

Via Care Community Health Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Via Care Community Health Center, Inc.'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.



Irvine, CA

January 9, 2017

G Rowland CPA & Associates, An Accountancy Corporation

2082 Business Center Dr, Ste 172, Irvine, CA 92612 (949) 752-1040 gerry@rowlandcpa.us

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, 2016. 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [2016-01, 2016-02]. Our opinion on each major federal program is not modified with respect to these matters.

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

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 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 9, 2017

Findings and Questioned Costs Section

Via Care Community Health Center, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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? Yes
- 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 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)

Via Care Community Health Center, Inc.

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2016

Section II—Financial Statements Findings

SIGNIFICANT DEFICIENCIES

2016-01

Dispensary inventory

Condition: The physical count of inventory identified over 200 instances in which the perpetual inventory computer system differed from the actual physical count.

Criteria: Internal controls should be in place that provide reasonable assurance that the perpetual inventory system be kept to a reasonable degree of accuracy.

Cause: There are no procedures in place to require the periodic verification of a subset of inventory on a cyclical basis (Cycle Counting).

Effect: Because of the large number of differences the amount recorded on the books for inventory may be materially misstated.

Recommendation: Procedures should be implemented requiring the cycle counting and adjustment of inventory monthly.

Views of Responsible Officials and Planned Corrective Actions:

The dispensary is now staffed on a full-time basis by a Registered Nurse who has been instructed to take monthly inventories and to adjust the computer records for any differences. The Finance Department will test check the inventory on a quarterly basis and undertake a complete inventory count on June 30th in the presence of the CPA.

2016-02

Reconciliation of Payroll Tax Returns to the General Ledger

Condition: Comparison of payroll costs reported to government authorities was not in agreement with the general ledger.

Criteria: Internal controls should be in place that provide reasonable assurance that payroll costs reported to government can be reconciled to the general ledger.

Cause: There are no procedures in place to require the reconciliation of the quarterly payroll tax returns to the general ledger.

Effect: Because of lack of procedures in place to require the reconciliation of the quarterly payroll tax returns to the general ledger it is very difficult to reconcile these figures.

Via Care Community Health Center, Inc.

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2016

2016-02 Reconciliation of Payroll Tax Returns to the General Ledger (continued)

Recommendation: Procedures should be implemented requiring the reconciliation of the quarterly payroll tax returns to the general ledger.

Views of Responsible Officials and Planned Corrective Actions:

A monthly reconciliation between the Labor Distribution Report and the General Ledger is to be undertaken followed by a reconciliation to the quarterly tax return.

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

2015-01 Accrued vacation and sick leave

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

Corrective action was taken

2015-02 Payroll

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

Corrective action was taken

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.

Corrective action was taken

2015-04 Accounts payable

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

Corrective action was taken

2015-05 Succession Plan

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

Corrective action was taken