

# **Via Care Community Health Center, Inc.**

## **Financial Statements**

June 30, 2017

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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, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Via Care Community Health Center, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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 December 29, 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  
December 29, 2017

# Via Care Community Health Center, Inc.

## Statement of Financial Position

As of June 30, 2017

	Note	
<b>Assets</b>		
<b>Current Assets</b>		
Cash		\$ 66,138
Accounts receivable, net of allowance for bad debts	3	1,062,012
Inventory		20,429
Prepaid expenses & other current assets		112,313
<b>Total Current Assets</b>		<b>1,260,892</b>
Furniture, leaseholds and equipment, net of accumulated depreciation	4	401,326
Intangible assets, net of amortization	5	390,317
Goodwill	6	236,472
Other long term assets		34,757
<b>Total Assets</b>		<b>\$ 2,323,764</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable		\$ 336,584
Bank overdraft		23,342
Accrued payroll		190,544
Accrued paid time off		130,696
Loans payable		30,000
Current portion of long term liabilities	8	346,937
<b>Total Current Liabilities</b>		<b>1,058,103</b>
Long term debt, net of current portion	8	629,938
<b>Total Liabilities</b>		<b>1,688,041</b>
<b>Net Assets</b>		
Unrestricted net assets		635,723
<b>Total Liabilities and Net Assets</b>		<b>\$ 2,323,764</b>

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, 2017

	Note	Unrestricted
<b>Revenue &amp; Support</b>		
Medical services		\$ 4,823,141
Grants		2,847,807
Meaningful use	9	255,000
Contributions		163,848
Other income		9,920
<b>Total revenue and support</b>		<b>8,099,716</b>
<b>Expenses</b>		
Program services		5,435,374
Management and general		2,242,261
Fundraising		68,060
<b>Total expenses</b>		<b>7,745,695</b>
<b>Change in net assets</b>		<b>354,021</b>
<b>Net assets, beginning of the year</b>		<b>281,702</b>
<b>Net assets, end of the year</b>		<b>\$ 635,723</b>

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, 2017

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 354,021
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	221,439
Allowance for bad debts	46,398
(Increase) decrease in:	
Accounts receivable	(793,610)
Inventories	27,954
Prepaid expenses	19,226
Increase (decrease) in:	
Accounts payable	3,917
Bank overdraft	23,342
Accrued payroll	(15,749)
Accrued paid time off	27,490
Loans payable	30,000
<b>Net cash used by operating activities</b>	<b>(55,572)</b>
<hr/>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	(171,527)
<b>Net cash used by investing activities</b>	<b>(171,527)</b>
<hr/>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds of debt borrowings	253,733
Repayments of debt borrowings	(519,358)
<b>Net cash used by financing activities</b>	<b>(265,625)</b>
<hr/>	
<b>NET DECREASE IN CASH</b>	<b>(492,724)</b>
<b>CASH, BEGINNING OF THE YEAR</b>	<b>558,862</b>
<b>CASH, END OF YEAR</b>	<b>\$ 66,138</b>
<hr/>	
Cash paid for interest	\$ 22,760
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, 2017

	<b>Program Services</b>	<b>Support Services</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 2,724,442	\$ 1,117,395	\$ 34,400	\$ 3,876,237
Payroll taxes and employee benefits	741,006	303,914	9,356	1,054,276
<b>Total personnel costs</b>	<b>3,465,448</b>	<b>1,421,309</b>	<b>43,756</b>	<b>4,930,513</b>
Contract services	354,342	397,842	13,990	766,174
Program supplies	639,547	-	-	639,547
Rent	349,495	143,341	4,413	497,249
Depreciation and amortization	155,640	63,834	1,965	221,439
Bad debts	136,596	-	-	136,596
Communications	77,516	31,792	979	110,287
Facility	61,445	25,201	776	87,422
Staff related	31,517	23,065	180	54,762
Office supplies	35,246	14,456	445	50,147
Utilities	27,089	11,110	342	38,541
Legal and accounting	9,323	28,824	118	38,265
Meetings and conferences	22,526	9,239	284	32,049
Dues and subscriptions	20,137	8,259	254	28,650
Interest and penalties	-	25,576	-	25,576
Insurance	16,191	6,641	204	23,036
Printing and postage	15,233	6,248	192	21,673
Travel	9,989	4,097	126	14,212
Bank fees and licenses	8,094	4,846	36	12,976
Miscellaneous	-	16,581	-	16,581
<b>Total functional expenses</b>	<b>\$ 5,435,374</b>	<b>\$ 2,242,261</b>	<b>\$ 68,060</b>	<b>\$ 7,745,695</b>

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, 2017

### 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 three primary-care clinics, 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 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, 2017

### 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, 2017.

**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, 2017.

#### 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, 2017 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, 2017

### 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 time studies, number of full-time equivalents or direct salaries 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, 2018, 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, 2017

### 3. Accounts receivable

The components of accounts receivable are as follows:

Trade accounts receivable	\$ 780,245
Capitation receivable	99,565
Capitation - Annual reconciliation	251,591
Grants receivable	35,661
Allowance for doubtful accounts	(105,050)
Total	\$ 1,062,012

Bad debt expense for the period was \$136,596.

### 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	\$ 107,837	\$ (31,733)	\$ 76,104
Leasehold improvements	238,935	(45,398)	193,537
Communications equipment	52,058	(32,932)	19,126
Dental & medical equipment	213,146	(100,587)	112,559
Total	\$ 611,976	\$ (210,650)	\$ 401,326

Depreciation expense for the year ended June 30, 2017 was \$137,712.

### 5. 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	\$ (73,696)	\$ 235,832
Contracts & patient files - Santa Rosa	184,000	(39,429)	144,571
Electronic Health Records Software	39,668	(29,754)	9,914
Total	\$ 533,196	\$ (142,879)	\$ 390,317

Amortization expense for the year ended June 30, 2017 was \$83,727.

# Via Care Community Health Center, Inc.

## Notes to the Financial Statements (continued)

For the Year Ended June 30, 2017

### 6. 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

### 7. Commitments and Contingencies

#### Obligations Under Operating Leases

On August 1, 2012, the clinic entered into a sub-lease agreement with Bienvenidos Children's Center for the lease of 3,200 square feet of space at 507 S. Atlantic Blvd, Los Angeles, CA. It is now on a month-to-month lease bearing a monthly cost of \$7,726.

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 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.

As part of its obligations under the terms of an Asset Purchase Agreement dated January 12, 2016 between the clinic and Santa Rosa Family Care Center, Via Care agreed to sub-let the premises at 5105 E. Whittier Blvd, Los Angeles, CA. The lease expires on December 31, 2018. The monthly rent is \$4,150.

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

Year ending June 30,	Amount
2018	\$ 534,671
2019	490,705
2020	448,249
2021	368,674
2022	349,508
Thereafter	960,510
<b>Total</b>	<b>\$ 3,152,317</b>

# Via Care Community Health Center, Inc.

## Notes to the Financial Statements (continued)

For the Year Ended June 30, 2017

### 7. 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.

### 8. Long-term debt

Long-term debt consists of the following:

	<u>June 30, 2017</u>
Unsecured obligation under loan agreement with CPCA Ventures, 3.75% stated interest rate. Currently, Via Care is making interest only payments until March of 2018.	<u>750,000</u>
	<u><u>\$750,000</u></u>

Loan maturities for each of the five years following June 30, 2017 are as follows:

2018	120,062
2019	245,923
2020	253,938
2021	<u>130,077</u>
	<u><u>\$ 750,000</u></u>

### 9. Meaningful Use

A Medicare and Medicaid Electronic Health Records (EHR) Incentive Program which provides funds to medical organizations to implement certified electronic health record technologies to improve patient care and increase efficiency.

# Via Care Community Health Center, Inc.

## Notes to the Financial Statements (continued)

For the Year Ended June 30, 2017

### 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, 2017, in addition to the elective deferrals made by employees.

### 11. Concentration of Revenue Sources

Approximately 35% 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 December 29, 2017, the date the financial statements were available to be issued. On August 14, 2017, Via Care entered into an agreement with Hillside (successor to Bienvenidos Children's Center) for the lease of 34% of its property at 501 S. Atlantic Blvd, Los Angeles, CA. The monthly lease cost is \$4,870. The remainder of the building is expected to become available in January 2018 and Via Care plans to acquire the remaining square footage. The monthly cost for the entire building is to be \$10,217. Once Via Care occupies the entire building, Via Care plans to negotiate a new lease agreement with the property owner.

## **Supplemental Information**



# Via Care Community Health Center, Inc.

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Name of Grant - Grant ID No.	Federal Expenditures (\$)
<b>Department of Health and Human Services</b>			
Family Planning Services	93.217		\$ 177,210
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80C526617	2,115,597
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79TI026277-01	555,000
<b>Total Department of Health and Human Services</b>			2,847,807
<b>Total Expenditures of Federal Awards</b>			\$ 2,847,807

# Via Care Community Health Center, Inc.

## Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

### 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, 2017. 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, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 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 have not been 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, they are 2017-01, 2017-02, 2017-03 and 2017-04.

**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, they are 2017-01, 2017-02, 2017-03 and 2017-04.

### **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. 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

December 29, 2017

**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, 2017. 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; 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, 2017.

***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, they are 2017-01, 2017-02, 2017-03 and 2017-04. 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items, they are 2017-01, 2017-02, 2017-03 and 2017-04, that we consider to be significant deficiencies.

Via Care Community Health Center, Inc.'s response to the internal control over compliance 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.

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

December 29, 2017

## **Findings and Questioned Costs Section**



# Via Care Community Health Center, Inc.

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

### 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: \$750,000

Auditee qualified as a low-risk auditee? Yes

Major programs are identified as follows:

<b>CFDA Number</b>	<b>Name of Program</b>
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, 2017

### Section II—Financial Statements Findings

#### SIGNIFICANT DEFICIENCIES

2017-01

Prepaid insurance expenses

*Condition:* The organization did not allocate approximately \$80,000 of succeeding year insurance costs to prepaid expenses.

*Criteria:* Internal controls should be in place that provide reasonable assurance that prepaid expenses are allocated to the year in which they apply.

*Cause:* There are no procedures in place to require insurance costs that cover multiple years to be reviewed and allocated at year end.

*Effect:* Because of the amount of the unallocated insurance expense and before the adjusting entry, the financial statements might have been materially misstated.

*Recommendation:* Procedures should be implemented requiring the review and allocation of insurance expenses at year end.

*Views of Responsible Officials and Planned Corrective Actions:* Part of the responsibilities of the newly hired FQHC experienced Finance Director will be to review the coding and allocation of vendor invoices and make appropriate revisions.

2017-02

Depreciation and amortization expenses

*Condition:* Approximately \$100,000 of depreciation and amortization expenses were not recorded in the general ledger.

*Criteria:* Internal controls should be in place that provide reasonable assurance that depreciation and amortization expenses are recorded properly.

*Cause:* Existing procedures for depreciable and amortizable assets did not correctly calculate these expenses.

*Effect:* Due to miscalculations of depreciation and amortization expenses, the financial statements may be materially misstated.

*Recommendation:* Existing procedures for depreciable and amortizable assets should be reviewed and amended to provide controls that proper amounts of depreciation and amortization expenses are recorded.

*Views of Responsible Officials and Planned Corrective Actions:* Procedure for recording monthly depreciation will be strengthened and responsibility for correctly implementing same will fall under the purview of the Finance Director.

# Via Care Community Health Center, Inc.

## Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2017

### Section II—Financial Statements Findings (continued)

#### SIGNIFICANT DEFICIENCIES (continued)

2017-03

##### Managed Care Reconciliation

*Condition:* The Managed Care Reconciliation receivable and income accounts were misstated by approximately \$73,000.

*Criteria:* Internal controls should be in place that provide reasonable assurance that the receivable and income accounts reconcile from year to year.

*Cause:* A partial payment of the June 30, 2016 ending receivable balance received after June 30, 2016 was mis-recorded. A mistake was made when attempting to correct this oversight resulting in an overstatement, before adjustment, of both the receivable and the revenue accounts.

*Effect:* The prior year receivable account for Managed Care Reconciliation was understated and the current year's income account was overstated.

*Recommendation:* Procedures should be implemented requiring reconciliation of prior year amounts when changes are made to the accounting system.

*Views of Responsible Officials and Planned Corrective Actions:* Except for remittances, activity in the receivable account occurs on an annual basis only, and is supported by the filed reconciliation form. As noted above, it will be the responsibility of the Finance Director and CFO, if necessary, to insure that remittances are accurately recorded.

2017-04

##### Substantiation for amounts charged to American Express Credit Cards

*Condition:* 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.

*Criteria:* Internal controls should be in place that provide reasonable assurance that documentation in support of Organization credit card charges is kept available for review.

*Cause:* Due to a change of location and changes in personnel, the original documentation could not be located.

*Effect:* Credit card charges are often an item that is scrutinized by outside auditors of governmental agencies. As such, care should be taken to ensure that original receipts are kept, stored and are easily obtainable for review.

# Via Care Community Health Center, Inc.

## Schedule of Findings and Questioned Costs (continued)

*Recommendation:* Procedures should be implemented requiring the capture, review and filing of original receipts for Organization credit cards.

*Views of Responsible Officials and Planned Corrective Actions:* Management believes that the appropriate policies & procedure are in place to capture, file and record AMEX receipts and to reconcile account statements to the General Ledger monthly, but that the turn-over of staff assigned to this function and the relocation of the Finance Department caused them to temporarily lapse.

The department has now been relocated to its permanent home and the previous staff members have been replaced by a FQHC seasoned Finance Director who has been given responsibility for accounting for and controlling the usage of the AMEX card.

**For the Year Ended June 30, 2017**

### **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

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.

*Corrective action was taken*

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.

*Corrective action was taken*