

BARTZ-ALTADONNA COMMUNITY HEALTH CENTER

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12
Schedule of Expenditures of Federal Awards	13
Notes to Schedule of Expenditures of Federal Awards	14
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	15-16
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	17-18
Schedule of Findings and Questioned Costs	19-21
Status of Prior Year's Audit Findings	22-23



## INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
Bartz-Altadonna Community Health Center  
Lancaster, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bartz-Altadonna Community Health Center (the Organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Bartz-Altadonna Community Health Center as of December 31, 2013 were audited by other auditors whose report dated September 5, 2014 expressed an unmodified opinion on those statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards 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 the Organization as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Phone*  
626.449.6321

*Fax*  
626.449.7091

*Toll Free*  
877.449.6321

*Web*  
[goehnercpas.com](http://goehnercpas.com)

*Address*  
251 S. Lake Avenue  
Suite 190  
Pasadena, CA 91101

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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 September 25, 2015, on our consideration of Bartz-Altadonna Community Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bartz-Altadonna Community Health Center's internal control over financial reporting and compliance.

*Goehner Accounting*

September 25, 2015  
Pasadena, California



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
STATEMENT OF FINANCIAL POSITION

	December 31,	
	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 639,114	\$ 236,946
Accounts receivable, net of allowance of \$65,731 in 2014 and \$81,912 in 2013	238,130	182,190
Inventory	750	750
Prepaid expenses	<u>21,877</u>	<u>28,443</u>
Total current assets	<u>899,871</u>	<u>448,329</u>
PROPERTY AND EQUIPMENT - NET	<u>436,745</u>	<u>478,937</u>
OTHER ASSETS		
Insurance recovery receivable	<u>-</u>	<u>26,000</u>
TOTAL ASSETS	<u>\$ 1,336,616</u>	<u>\$ 953,266</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 24,188	\$ 112,578
Accrued expenses	<u>180,029</u>	<u>180,835</u>
Total current liabilities	<u>204,217</u>	<u>293,413</u>
TOTAL LIABILITIES	<u>204,217</u>	<u>293,413</u>
NET ASSETS		
Unrestricted	<u>1,132,399</u>	<u>659,853</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,336,616</u>	<u>\$ 953,266</u>

The accompanying notes are an integral part of this statement.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
STATEMENT OF ACTIVITIES

	Years Ended December 31,	
	<u>2014</u>	<u>2013</u>
<b>SUPPORT AND REVENUE</b>		
Patient service revenues	\$ 864,720	\$ 420,542
Grants and contracts	1,183,159	922,560
Pharmacy revenues	406,551	620,811
Managed care contracts	-	79,056
Contributions and other support	-	84,645
Repayment of disallowed costs	(136,191)	-
Other	63,795	5,833
	<u>2,382,034</u>	<u>2,133,447</u>
<b>EXPENSES</b>		
Healthcare services	1,504,466	1,448,096
General and administrative	405,022	464,985
	<u>1,909,488</u>	<u>1,913,081</u>
<b>CHANGE IN NET ASSETS</b>	472,546	220,366
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>659,853</u>	<u>439,487</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,132,399</u>	<u>\$ 659,853</u>

The accompanying notes are an integral part of this statement.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Healthcare services	General and Administrative	Total	Healthcare services	General and Administrative	Total
Personnel expenses	\$ 536,715	\$ 259,763	\$ 796,478	\$ 602,968	\$ 223,428	\$ 826,396
Program expenses	662,879	41,537	704,416	732,814	-	732,814
Rentals	81,174	7,520	88,694	40,113	44,515	84,628
Professional fees	63,046	5,615	68,661	20,200	44,940	65,140
Utilities	30,107	3,240	33,347	14,457	15,327	29,784
Maintenance and repairs	-	30,013	30,013	12,556	11,652	24,208
Office supplies	28,408	2,778	31,186	11,432	8,571	20,003
Depreciation	-	42,192	42,192	4,326	38,933	43,259
Dues and subscriptions	5,507	-	5,507	3,915	4,287	8,202
Insurance	28,465	3,092	31,557	3,025	24,067	27,092
Training	10,210	6,921	17,131	1,811	7,898	9,709
Late fees and penalties	-	411	411	43	6,609	6,652
Misappropriation of assets	-	-	-	-	33,682	33,682
Capital expenditures	3,657	-	3,657	-	-	-
Gifts-in-kind	53,400	-	53,400	-	-	-
Other expenses	898	1,940	2,838	436	1,076	1,512
<b>TOTAL EXPENSES</b>	<b>\$ 1,504,466</b>	<b>\$ 405,022</b>	<b>\$ 1,909,488</b>	<b>\$ 1,448,096</b>	<b>\$ 464,985</b>	<b>\$ 1,913,081</b>

The accompanying notes are an integral part of this statement.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
STATEMENT OF CASH FLOWS

	December 31,	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ 472,546	\$ 220,366
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	42,192	43,259
Changes in operating assets and liabilities:		
Accounts receivable	(55,940)	246,592
Prepaid expenses	6,566	(14,605)
Accounts payable	(88,390)	(66,608)
Accrued expenses	25,194	(192,058)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>402,168</u>	<u>236,946</u>
NET INCREASE IN CASH	402,168	236,946
CASH AT BEGINNING OF YEAR	<u>236,946</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ 639,114</u>	<u>\$ 236,946</u>
CASH PAID DURING THE YEAR FOR:		
INTEREST	\$ -	\$ -
INCOME TAX	\$ -	\$ -

The accompanying notes are an integral part of this statement.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

ORGANIZATION

Bartz-Altadonna Community Health Center (the "Organization"), is a California not-for-profit organization. The Organization participates in the Federally Qualified Health Center program, which supports the delivery of comprehensive primary health care services to low-income, underserved, and special populations. The Organization is located in Lancaster, California, providing primary medical care, specialty treatment for HIV/AIDS, reproductive health services, nutritional consultations, and mental health care for low-income, uninsured, or homeless residents in the Greater Antelope Valley, regardless of their ability to pay.

SIGNIFICANT ACCOUNTING POLICIES

Certain prior year amounts have been reclassified to conform with U.S. generally accepted accounting principles. The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. A summary of significant accounting policies is described below:

**CASH**

Liquid assets having a maturity of three months or less are included as cash.

**ACCOUNTS RECEIVABLE**

The Organization reports patient accounts receivable for services rendered at estimated net realizable amounts due from third-party payers, patients, and others. The Organization provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. The Organization bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed.

**INVENTORY**

Inventory, which consists of pharmaceutical drugs, medical devices, and medical supplies, is recorded at the lower of cost or market on a first-in first-out basis.

**PROPERTY AND EQUIPMENT**

Property and equipment are reported at cost. Donated items are recorded at fair market value on the date received. Assets that cost \$3,000 or more are capitalized. Depreciation is recorded on a straight-line basis over estimated useful lives ranging from 3 to 15 years. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

SIGNIFICANT ACCOUNTING POLICIES (continued)

**BASIS OF PRESENTATION**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as described below:

Unrestricted, includes funds which are expendable for the support of the Organization's operations.

Temporarily restricted, includes funds which donors have restricted for specific purposes or for use according to specific timetables, or both.

Permanently restricted, includes funds subject to donor-imposed stipulations that are maintained permanently by the Organization.

At December 31, 2014, there were no temporarily or permanently restricted net assets.

**INCOME AND SUPPORT RECOGNITION**

All donations received are considered available for unrestricted use unless restricted by the donor. The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period as unrestricted contributions.

Non-cash contributions received (gifts-in-kind) are recorded at fair market value when they are significant in amount and when there is a reasonable basis for valuation (SEE NON-CASH TRANSACTIONS).

**FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles require that items recorded at fair market value be valued as level one, two or three, based on various inputs and methodologies as described below:

Level 1 - quoted prices and active markets for identical holdings

Level 2 - significant observable market-based inputs, other than Level 1 quoted prices, or unobservable inputs that are based on comparable market data

Level 3 - significant observable inputs that are not based on comparable market data

**INCOME TAXES**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Tax Code; accordingly, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES (continued)

Generally accepted accounting principles provide accounting 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 the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns for years ended December 31, 2012, 2013 and 2014 are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PATIENT SERVICE REVENUES

The Organization has agreements with third-party payers that provide for payments to the Organization at established rates. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered. This includes estimated retrospective revenue in the period the related services were rendered. These estimates are revised in future periods as adjustments become known.

GRANTS

The Organization receives funding through federal grants. Grant revenue includes exchange transactions under which revenue is recognized when earned and expenses are recognized when incurred. Grant receipts from exchange transactions not earned are reported as deferred revenue.

REPAYMENT OF DISALLOWED COSTS

Repayment of disallowed costs are questioned costs related to grant income earned in 2012 and 2013 that were deemed disallowed by the federal funding agency. The \$136,191 is reflected in accounts payable as of December 31, 2014.

CONTRIBUTIONS

Contributions received and unconditional promises to give are measured at fair value. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenues.

IN-KIND CONTRIBUTIONS

Contributed assets and services are reflected in the financial statements at their fair value on the date received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets, and (b) require specialized skills that are provided by individuals possessing those skills that would typically need to be purchased if not provided by donors.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts or long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2014 AND 2013

SIGNIFICANT ACCOUNTING POLICIES (continued)

IN-KIND CONTRIBUTIONS (continued)

be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

PHARMACY REVENUE

The Organization has an agreement with a third party administrator for the management of the Organization's patient and member eligibility, claims adjudication for covered drugs at pharmacy, formulary management and creation, 340B drug price management, collection of co-payments and third party payments for disbursements to the Organization, payments of pharmacy dispense fees and administration fees, 340B drug inventory control and ordering for replenishment of pharmacy inventory and reporting of claims. These services are provided at an agreed upon rate. The pharmacy revenue is recognized at the time drugs are dispensed.

MANAGED CARE CONTRACTS

The Organization has an agreement with a multi-specialty medical group (IPA) organized as a professional medical corporation, which has a primary objective to deliver or arrange for the delivery of healthcare services. Under the agreement, a fixed monthly payment (capitation payment) is made without regard to the frequency, extent or nature of the healthcare services actually furnished. The capitation payment is fixed in advance of the periods covered and is not subject to accounting estimates. The payment is expensed in the period during which providers are obligated to provide services.

MISAPPROPRIATION OF ASSETS

The Organization encountered an employee dishonesty matter related to the year ended December 31, 2012 with estimated damages of \$33,682 recorded during the year ended December 31, 2013, which was recorded as misappropriation of assets.

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31,	
	2014	2013
Computers and equipment	\$ 28,248	\$ 28,248
Office furniture	6,500	6,500
Leasehold improvement	519,139	519,139
Total property and equipment	553,887	553,887
Less accumulated depreciation	(117,142)	(74,950)
Property and equipment - net	\$ 436,745	\$ 478,937

Depreciation expense for the years ended December 31, 2014 and 2013 was \$42,192 and \$43,259, respectively.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

RETIREMENT PLAN

The Organization has established a 403(b) tax-deferred annuity plan for qualified participants. Contributions to the plan are non-forfeitable. The plan is a matching, deferred compensation arrangement whereby the Organization may contribute up to 3% of eligible employees' salaries annually. Contributions made by the Organization for the years ended December 31, 2014 and 2013 were \$11,771 and \$14,564, respectively.

COMMITMENTS

The Organization rents two units in the same building under a non-cancelable lease with a monthly lease payment of \$6,720. The lease expires in May 2016.

The Organization also leases office equipment under non-cancelable leases with total monthly lease payments of \$440. The leases expire in May 2017 and September 2018.

Future minimum lease payments at December 31, 2014 are as follows:

2015	\$	83,575
2016		37,902
2017		3,383
2018		<u>1,826</u>
	\$	<u><u>126,686</u></u>

Rent expense for the years ended December 31, 2014 and 2013 was \$88,694 and \$84,628, respectively.

NON-CASH TRANSACTIONS

GIFTS-IN-KIND

The Organization received the following gifts-in-kind during the year ended December 31, 2014:

Medical supplies	\$	30,000
Food donations		<u>23,400</u>
	\$	<u><u>53,400</u></u>

In accordance with generally accepted accounting principles, all gifts-in-kind received are a level 3 classification. No gifts-in-kind were recorded for the year ended December 31, 2013.

CONCENTRATIONS

The Organization maintains cash balances in excess of \$250,000 in one financial institution, which is insured by the Federal Deposit Insurance Corporation for amounts up to \$250,000. At December 31, 2014, the Organization's uninsured cash balances in the financial institution totaled \$413,132.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

SUBSEQUENT EVENTS

In accordance with generally accepted accounting principles, the Organization has evaluated subsequent events through September 25, 2015, which is the date these financial statements were available to be issued. All subsequent events requiring recognition have been incorporated into these financial statements.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>CONTRACT/ AGREEMENT No.</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
<u>Federal Assistance</u>			
U.S. Department of Health and Human Services			
Consolidated Health Centers	93.224	H80CS22686	\$ 874,843 *
Outpatient Early Services with Respect to HIV Diseases	93.918	H76HA26212	<u>291,764</u>
TOTAL			\$ <u><u>1,166,607</u></u>

\* Major program

The accompanying notes are an integral part of this statement.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization and is presented in accordance with U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Governing Board  
Bartz-Altadonna Community Health Center  
Lancaster, California

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 Bartz-Altadonna Community Health Center, which comprise the statement of financial position as of December 31, 2014, 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 September 25, 2015.

**Internal Control Over Financial Reporting**

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

FS Finding 2014-01: Accounts Receivable

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bartz-Altadonna Community Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

*Phone*

626.449.6321

*Fax*

626.449.7091

*Toll Free*

877.449.6321

*Web*

goehnercpas.com

*Address*

251 S. Lake Avenue

Suite 190

Pasadena, CA 91101

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 as item 2014-01: Eligibility in the accompanying summary schedule of prior audit findings.

#### **Bartz-Altadonna Community Health Center's Response to Findings**

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

#### **Purpose of this Report**

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

*Gocher Accountancy*



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

To the Governing Board  
Bartz-Altadonna Community Health Center  
Lancaster, California

**Report on Compliance for Each Major Federal Program**

We have audited Bartz-Altadonna Community Health Center's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bartz-Altadonna Community Health Center's major federal programs for the year ended December 31, 2014. Bartz-Altadonna Community Health Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Bartz-Altadonna Community Health Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bartz-Altadonna Community Health Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Bartz-Altadonna Community Health Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

**Report on Internal Control Over Compliance**

Management of Bartz-Altadonna Community Health Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements

*Phone*

626.449.6321

*Fax*

626.449.7091

*Toll Free*

877.449.6321

*Web*

goehnercpas.com

*Address*

251 S. Lake Avenue

Suite 190

Pasadena, CA 91101

referred to above. In planning and performing our audit of compliance, we considered Bartz-Altadonna Community Health Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bartz-Altadonna Community Health Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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. We consider the deficiencies described as item 2014-01: Eligibility in the accompanying summary schedule of prior audit findings to be a significant deficiency.

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

*Goehner Accounting*

September 25, 2015  
Pasadena, California



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

A. SUMMARY OF AUDIT RESULTS

*Financial Statements*

1. The Independent Auditor's Report expresses an unmodified opinion on the financial statements of Bartz-Altadonna Community Health Center (the Organization).
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements performed in accordance with Government Auditing Standards. A significant deficiency was noted in FS Finding 2014-01.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.

*Federal Awards*

4. No material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Auditor's Report on Compliance for the major federal award programs for the Organization expresses an unmodified opinion.
6. One audit finding relative to the major federal award programs for the Organization was noted during the audit. See Finding 2014-01: Eligibility.
7. The program tested as a major program included:

Consolidated Health Centers - Federal CFDA Number 93.224
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Organization was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

*Significant Deficiency*

**FS Finding 2014-01: Accounts Receivable**

*Condition and Context*

During the audit, we noted no documentation of a monthly reconciliation from the Organization's subsidiary ledger for accounts receivable (billing software) to the Organization's accounting software.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

B. FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

**FS Finding 2014-01: Accounts Receivable (continued)**

*Cause*

A change in personnel during the year contributed to this lack of documentation.

*Effect*

This resulted in significant difficulties reconciling accounts receivable and income to the general ledger for the year ended December 31, 2014.

*Recommendation*

We recommend the Organization develop procedures to help ensure accounts receivable is accurately supported, which includes documentation of a monthly reconciliation.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

**Finding 2014-01: Eligibility**

Federal CFDA Number: 93.224

Federal Program Name: Consolidated Health Centers

Federal Agency: U.S. Department of Health and Human Services

*Criteria*

HRSA requires the organization retain the income and address verification documentation which was used to determine eligibility for the program. HRSA and federal requirements also require the organization to properly assess patient fees for each eligible participant based on a Sliding Fee Schedule that uses the participant's verified income in relation to the federal poverty line to determine the fee.

*Condition*

During our testing for compliance with the eligibility requirement, we noted the following:

For 1 out of 40 patients tested, the Sliding Fee was assessed but there was no sliding scale application or proof of income documentation on file.

*Questioned Cost*

None

*Cause*

The Organization's case workers experienced difficulties in obtaining accurate information and required documents from its homeless and low income clients.

*Effect*

These may constitute noncompliance with federal requirements and grant terms and conditions which may be grounds for unnecessary sanctions.



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT  
(continued)

**Finding 2014-01: Eligibility (continued)**

*Recommendation*

The Organization should strengthen its policies and procedures and implement internal controls to ensure income and address verification support is retained, sliding fees are correctly assessed and household members are correctly determined.

*Views of Responsible Officials and Planned Corrective Action*

*Bartz-Altadonna has implemented an attendance for on-going trainings available from other organizations as well as in-house trainings and "in-service" to new and existing employees to refresh and educate them on eligibility, program requirements and proper documentation for each program. Bi-weekly head departments meetings have also been implemented to discuss program updates, challenges and issues encountered in each department. This should minimize human error in data entry and calculations and provide better understanding for program requirements.*



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
STATUS OF PRIOR YEAR'S AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Financial Statement Findings**

Finding Reference	Condition	Status
FS 13-01 Payroll Controls	<p>A review of controls surrounding payroll revealed the following:</p> <ol style="list-style-type: none"> <li>1. Missing timesheets. 2 out of 13 employees tested from March to October pay periods had missing timesheets.</li> <li>2. Missing approvals on timesheets. 2 out of the 13 employees tested had no documentation of approvals from their supervisors of their timesheets.</li> </ol>	Implemented
FS 13-02 Pharmacy Revenue	<p>It was noted that the Organization failed to record the pharmacy revenue received in January 2014 for drugs dispensed in December 2013. This resulted in an understatement of revenue of \$40,050.</p> <p>Furthermore, a review of controls surrounding pharmacy revenue revealed that the monthly activity statements prepared by the third party dispensing company engaged by the Organization to coordinate, manage and facilitate contracts between the Organization and pharmacy were not reviewed for accuracy and reasonableness.</p>	Implemented
FS 13-03 Allocation of Expenses	<p>In response to an internal control recommendation in the prior year, the Organization prepared a cost allocation plan that provides a specific parameter to allocate common expenses that benefit more than one program, grants, contracts and agreements.</p> <p>However, based on a review of allocation worksheet and allocated percentages, the following was noted:</p> <ol style="list-style-type: none"> <li>1. A number of errors were noted in the calculation of FTE for each quarter (i.e. 11% instead of 23%).</li> <li>2. Cost allocation percentages per program do not agree with the cost allocation percentages inputted in the system.</li> <li>3. Various FTE allocations are available in the system (i.e. percentages using monthly FTE and quarterly FTE).</li> </ol>	Implemented



BARTZ-ALTADONNA COMMUNITY HEALTH CENTER  
STATUS OF PRIOR YEAR'S AUDIT FINDINGS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Federal Award Findings**

Finding Reference	Condition	Status
F13-01 Activities Allowed or Unallowed and Allowable Costs/Cost Principles	<p>During the audit, the following was noted:</p> <ol style="list-style-type: none"> <li>1. For 1 out of 26 payroll expenditures tested, employee files did not contain the approved salary/hourly rates for the pay periods selected.</li> <li>2. For 3 out of 34 non-payroll expenditures sampled, the proper documentation such as invoices, purchase orders, cancelled checks, and/or other required documentation were missing from the patient's files.</li> <li>3. For 19 out of 34 non-payroll expenditures tested, the expenditure allocation percentage computed per quarter was erroneously applied.</li> <li>4. For 11 out of 34 non-payroll expenditures tested, accounts payable signatory procedures required by the Organization's 2012 Accounts Payable Policy, BAF-002 were not followed.</li> <li>5. For 1 out of 34 non-expenditure samples, the invoice received did not match the payment made.</li> <li>6. For 2 out of 34 non-expenditure samples, the Accounts Payable procedures with regard to proper payment were not followed.</li> </ol>	Implemented
F13-02 Cash Management	For 11 out of 12 drawdowns tested, program funds were not expended within one business day of the drawdown date.	Implemented
F13-03 Procurement and Suspension and Debarment	<p>During testing of expenditures, the following was noted:</p> <ol style="list-style-type: none"> <li>1. For 10 out of 34 expenditures tested, the employee in-charge for processing did not follow bidding procedures as required by the Organization's 2012 Purchasing Policy BAF-004.</li> <li>2. For 13 out of 34 expenditures tested, the employee in charge did not follow purchasing procedures as required by the Organization's 2012 Purchasing Policy BAF-004.</li> </ol>	Implemented
F13-04 Eligibility	<p>During testing for compliance with the eligibility requirement, the following was noted:</p> <ol style="list-style-type: none"> <li>1. For 1 out of 36 patients sampled, the Sliding Fees were erroneously assessed.</li> <li>2. For 2 out of 36 patients sampled, the number of household members were erroneously determined</li> </ol>	Not implemented See Finding F14-01
F13-05 Period of Availability	<p>During testing for compliance with the Period of Availability requirement, the following was noted:</p> <p>For 2 out of 34 expenditures sampled, the documentation acceptable to confirm the period in which the expenditures were incurred was missing from the client's files.</p>	Implemented

