

G.A. Carmichael Family Health Center, Inc.

Audited Financial Statements
June 30, 2014 and 2013

Fortenberry & Ballard, PC
Certified Public Accountants

G.A. Carmichael Family Health Center, Inc.
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
G.A. Carmichael Family Health Center, Inc.
Canton, MS

Report on the Financial Statements

We have audited the accompanying statement of financial position of G.A. Carmichael Family Health Center, Inc. (a nonprofit organization) as of June 30, 2014 and 2013, and the related statements of activities, and cash flows for the years 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of G.A. Carmichael Family Health Center, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2015, on our consideration of G.A. Carmichael Family 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 G.A. Carmichael Family Health Center, Inc.'s internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 14, 2015

Certified Public Accountants

FINANCIAL STATEMENTS

G. A. Carmichael Family Health Center

Exhibit A

Statement of Financial Position

June 30, 2014 and 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS		
Current Assets		
Cash	\$ 589,780	\$ -
Certificates of deposit	617,290	613,907
Patient care receivables, less allowance of \$2,111,445 and \$1,519,522 respectively	720,386	704,124
Grants and contracts receivable	159,435	218,952
Other receivables	643	643
Total Current Assets	<u>2,087,534</u>	<u>1,537,626</u>
Fixed Assets		
Land	205,450	205,450
Building and improvements	2,997,755	2,997,755
Leasehold improvements	222,468	222,468
Furniture and equipment	1,372,547	1,372,547
Vehicles	96,257	96,257
Less accumulated depreciation	<u>(3,943,136)</u>	<u>(3,810,422)</u>
Total fixed assets, net	<u>951,341</u>	<u>1,084,055</u>
Other Assets		
Medicare payments escrowed	-	1,334,261
Refundable security deposits	4,620	4,620
Utility deposits	<u>3,355</u>	<u>3,355</u>
Total other assets	<u>7,975</u>	<u>1,342,236</u>
TOTAL ASSETS	<u>3,046,850</u>	<u>3,963,917</u>
LIABILITIES		
Current Liabilities		
Accounts payable, trade	254,617	1,067,999
Payroll taxes payable	89,366	214,471
Other payroll deductions	28,000	100,763
Salaries payable	104,093	77,186
Accrued annual leave	162,068	132,233
Line of credit payable	592,592	592,592
Unearned grant revenue	-	1,175,929
Long-term liabilities, current portion		
Capital related	134,953	126,482
Non capital related	<u>22,806</u>	<u>-</u>
Total Current Liabilities	<u>1,388,495</u>	<u>3,487,655</u>
Long-Term Liabilities, net of current portion		
Capital related	683,791	819,966
Non capital related	<u>1,153,123</u>	<u>-</u>
Total Long-Term Liabilities	<u>1,836,914</u>	<u>819,966</u>
TOTAL LIABILITIES	<u>3,225,409</u>	<u>4,307,621</u>
NET ASSETS		
Unrestricted		
Operating	(311,156)	(481,311)
Invested in fixed assets, net	<u>132,597</u>	<u>137,607</u>
TOTAL NET ASSETS	<u>\$ (178,559)</u>	<u>\$ (343,704)</u>

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

G. A. Carmichael Family Health Center
Statement of Activities
Fiscal Years Ended June 30, 2014 and 2013

Exhibit B

	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2013
SUPPORT AND REVENUES		
Support		
Grants and contracts	\$ 4,334,300	\$ 4,666,087
Total Support	4,334,300	4,666,087
Revenues		
Health care services, net of charity, bad debt and contractual adjustments of \$4,435,908 and \$6,272,751 respectively	2,328,666	3,607,271
Rental income	10,000	12,000
Interest income	3,736	6,439
Other income	43,884	160,702
Total Revenues	2,386,286	3,786,412
TOTAL SUPPORT AND REVENUES	6,720,586	8,452,499
EXPENSES		
Program Services		
Health care services	5,185,096	6,607,884
Community services	34,534	42,214
Total Program Services	5,219,630	6,650,098
Supporting Services		
Management and general	1,553,175	2,214,771
Total Supporting Services	1,553,175	2,214,771
TOTAL EXPENSES	6,772,805	8,864,869
CHANGE IN NET ASSETS	(52,219)	(412,370)
Net Assets, Beginning of Year	(343,704)	68,666
Prior period adjustment	217,364	-
Net Assets, Beginning of Year, restated	(126,340)	68,666
NET ASSETS END OF YEAR	\$ (178,559)	\$ (343,704)

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

G. A. Carmichael Family Health Center
Statement of Cash Flows
Fiscal Years Ended June 30, 2014 and 2013

Exhibit C

	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (52,219)	\$ (412,370)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation expense	132,714	163,154
Prior Period Adjustment	217,364	-
Decrease (increase) in:		
Patient care receivables	(16,262)	79,605
Grants and contracts receivables	59,517	(32,321)
Other assets	1,334,261	(381,163)
Increase (decrease) in:		
Accounts payable, trade	(813,382)	752,161
Payroll taxes payable	(125,105)	70,415
Other payroll deductions	(72,763)	26,642
Salaries payable	26,907	(25,006)
Accrued annual leave	29,835	(11,341)
Deferred grant revenue	-	(210,182)
Line of credit payable	-	241,942
Total Adjustments	<u>773,086</u>	<u>673,906</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>720,867</u>	<u>261,536</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	(3,383)	(6,438)
Acquisition of fixed assets	-	(21,193)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,383)</u>	<u>(27,631)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in mortgage and notes payable	(127,704)	(245,045)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(127,704)</u>	<u>(245,045)</u>
NET (DECREASE) INCREASE IN CASH	<u>589,780</u>	<u>(11,140)</u>
CASH, BEGINNING OF YEAR	-	11,140
CASH, END OF YEAR	<u>\$ 589,780</u>	<u>\$ -</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	<u>\$ 57,763</u>	<u>\$ 93,973</u>

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

G.A. Carmichael Family Health Center, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2014

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2014

(1) Organization

G.A. Carmichael Family Health Center, Inc. was incorporated in the State of Mississippi on January 1, 1976, as a nonprofit organization. The primary purpose of this organization is to administer a program of outpatient health care services in the Mississippi counties of Madison, Yazoo, Humphreys and Leake.

(2) Summary of Significant Accounting Policies

The accompanying financial statements of the G.A. Carmichael Family Health Center, Inc. have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Financial Accounting Standards Board (FASB). FASB is the accepted standard-setting body for financial reporting principles. The most significant of the Center's accounting policies are described below.

A. Accounting Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

B. Basis of Accounting and Presentation

Financial statements are presented on the accrual basis of accounting and its presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three (3) classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Major Funding Source

G.A. Carmichael Family Health Center, Inc. receives funds from the State of Mississippi Board of Health and the United States Department of Health and Human Services (DHHS) under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of the noncompliance by G.A. Carmichael Family Health Center, Inc. with the terms of the grants.

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2014

In addition, if G.A. Carmichael Family Health Center, Inc. terminated the activities of the grants, all unexpended federal funds are to be returned to the DHHS. Those funds require G.A. Carmichael Family Health Center, Inc. to provide primary health care to all requesting individuals. However, the amount an individual actually pays is based on the individual's personal income.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.

E. Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.

F. Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

G. Expense Allocation

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between the programs and supporting services that it benefits.

H. Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2014

assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction end or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

I. Property and Equipment

Property and Equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold and other improvements are depreciated on a straight-line basis over the term of the lease, or the useful lives of the assets, whichever is shorter. A summary of property and equipment is contained in Note 5 in this report.

J. Employees' Annual Leave

Employees begin to accrue vacation leave the first pay period after they are hired. However, the accrual may not be requested for use until the employee has completed the initial period progress report successfully.

Accrued leave that has not been used by the end of the last payroll period in December of each year, may carry over up to a maximum of 80 hours of unused leave. Unused hours in excess of those allowed to be carried over will be forfeited at the end of the last payroll of the year.

K. Patient Service Fees

Revenues for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.

L. Allowance for Doubtful Accounts

The Center provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circum-

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2014

stances of the account.

M. Income Taxes

G.A. Carmichael Family Health Center, Inc. is a nonprofit organization exempt from income taxes under Section 501 (c) of the internal Revenue Code and applicable to state codes. Accordingly, no provision for federal and state income taxes is included in the financial statements. Tax years of the center are closed through 2010 for both Federal and Mississippi tax. After that date tax liability is subject to examination.

(3) Cash and Cash Equivalents

Cash and Other Deposits

The carrying amount of the Center's cash reported in the Statement of Financial Position was \$589,780 and the bank balance was \$589,924.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institution failure, the Bureau will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Center does not have a deposit policy for custodial credit risk. Management believes the Center is not exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents are FDIC insured up to \$250,000 per bank. As of June 30, 2014, none of the Center's bank balance of \$589,924 was exposed to custodial credit risk.

(4) Patient Receivables

G.A. Carmichael Family Health Center, Inc. extends credit to patients, as well as third party intermediaries responsible for medical services provided to patients. In most cases, the amount collected is less than the amount billed. The balance in accounts receivable reflects the net amount anticipated to be collected.

The amount of net patient care receivable at June 30, 2014 was \$720,386. Management feels that the actual collectability of the accounts receivable from patients will be realized in the amount as shown in the statement of financial position.

(5) Property and Equipment

Property and certain equipment acquired with federal government funds are considered to be owned by G.A. Carmichael Family Health Center, Inc. while used in the program or in future authorized programs. However, the federal government retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale or disposal.

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements For the Year Ended June 30, 2014

	Balance 06-30-2013	Additions	Balance 06-30-2014
<u>Non-depreciable fixed assets:</u>			
Land	\$ 205,450		205,450
<u>Depreciable fixed assets:</u>			
Building and improvements	2,997,755		2,997,755
Leasehold improvements	222,468		222,468
Vehicles	96,257		96,257
Furniture and equipment	1,372,547		1,372,547
Total depreciable capital assets	<u>4,689,027</u>	<u>0</u>	<u>4,689,027</u>
<u>Less accumulated depreciation:</u>			
Building and improvements	2,195,606	107,026	2,302,632
Leasehold improvements	216,024	3,018	219,042
Vehicles	96,257		96,257
Furniture and equipment	1,302,535	22,670	1,325,205
Total accumulated depreciation	<u>3,810,422</u>	<u>132,714</u>	<u>3,943,136</u>
Total depreciable fixed assets, net	<u>878,605</u>	<u>(132,714)</u>	<u>745,891</u>
Total fixed assets, net	<u>\$ 1,084,055</u>	<u>(132,714)</u>	<u>951,341</u>

(6) Commitments

Annual Leave

The cost of employees' unused annual leave at June 30, 2014 in the amount of \$162,068 is included in the financial statements. See Note 2 (J).

(7) Line of Credit Payable

The Center increased its operating line of credit with a local bank in the amount of \$612,763. This line of credit bears interest at 2.5% on any outstanding balance. The line of credit is secured by the certificates of deposit of the Center. At June 30, 2014, \$592,592 was outstanding under these agreements.

(8) Long-term Notes Payable

The following is a summary of changes in long-term liabilities and other obligations:

	Balance 7-1-2013	Additions	Reductions	Balance 6-30-2014	Amount due in one year
A. Notes Payable	\$ 946,448		127,704	818,744	134,953
B. Payable to Grantor Agency		1,175,929		1,175,929	22,806
Total	<u>\$ 946,448</u>	<u>1,175,929</u>	<u>127,704</u>	<u>1,994,673</u>	<u>157,759</u>

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2014

A. Notes Payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Notes Payable	6.5%	08-17-09	09-13-19	\$ <u>1,340,913</u>	<u>818,743</u>

Maturities of long-term notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total Amount
2015	\$ 135,081	49,000	184,081
2016	143,990	40,091	184,081
2017	153,707	30,374	184,081
2018	163,969	20,112	184,081
2019	174,918	9,163	184,081
2020	47,078	494	47,572
Total	\$ <u>818,743</u>	<u>149,234</u>	<u>967,977</u>

B. Payable to Grantor Agency

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Payable to Grantor Agency	5.25%	05-15-15	05-15-21	\$ <u>1,344,309</u>	<u>1,175,929</u>

Maturities of long-term payable to grantor agency are as follows:

Year Ending June 30,	Principal	Interest	Total Amount
2015	\$ 15,925	5,881	21,806
2016	196,621	65,054	261,675
2017	207,196	54,479	261,675
2018	218,339	43,336	261,675
2019	230,082	31,593	261,675
2020	242,456	19,219	261,675
2021	65,310	6,179	71,489
Total	\$ <u>1,175,929</u>	<u>225,741</u>	<u>1,401,670</u>

(9) Concentration of Contributions or Grants

The Center has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2014

and/or questioned cost are the responsibility of the Center.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

(10) Contingencies

Federal Grants - G.A. Carmichael Family Health Center, Inc. has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from the grantor audit may become a liability of the Health Center.

As of April 17, 2015, G.A. Carmichael Family Health Center, Inc. agrees to repay a total of \$1,344,309 with an interest rate of 5.25% for six (6) years to a grantor agency. According to the approved grantor repayment agreement, if payments are not received in accordance, the debt will be in default and recalculated retroactively at the original interest rate of 10.50%.

(11) Prior Period Adjustment

During the fiscal year ended June 30, 2014, correcting journal entry totaling \$217,364 was made to correctly present outstanding checks balance. Net assets at the beginning of the year have been adjusted by this amount.

(12) Subsequent Events

Events that occur after the Statement of Activities date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management of the G.A. Carmichael Family Health Center, Inc. evaluated the activity of the Center through the date the financial statements were available to be issued, and determined that no subsequent event have occurred requiring disclosure in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

G. A. Carmichael Family Health Center, Inc.
Schedule of Functional Expenses
Fiscal Year Ended June 30, 2014

Schedule 1

	PROGRAM SERVICES		SUPPORTING SERVICES	Total Expenses
	Health Care Services	Community Services	Management and General	
Salaries and Wages	\$ 3,519,758	26,661	747,176	4,293,595
Payroll Taxes and Benefits	445,498	7,673	148,349	601,520
Agreements and Other Services	285,034	-	220,030	505,064
Equipment	48,092	-	119,134	167,226
Consumables and Goods	201,517	-	41,643	243,160
Travel	20,652	200	5,409	26,261
Plant and Facility	92,281	-	184,106	276,387
Workshops and Meetings	15,440	-	9,474	24,914
Dues and Memberships	20,574	-	2,557	23,131
Insurance	13,084	-	58,071	71,155
Telecommunications and Postage	336,863	-	(60,233)	276,630
Advertising	300	-	732	1,032
Property and Sales Tax	11,647	-	747	12,394
Miscellaneous and Other Expenses	167,208	-	(107,349)	59,859
Total expenses before depreciation and interest	5,177,948	34,534	1,369,846	6,582,328
Depreciation	7,133	-	125,581	132,714
Interest	15	-	57,748	57,763
Total Expenses	\$ 5,185,096	\$ 34,534	\$ 1,553,175	\$ 6,772,805

G. A. Carmichael Family Health Center, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Schedule 2

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenses
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Direct Programs		
Bureau of Primary Health Care		
Health Centers Cluster:		
Consolidated Health Centers	93.224	\$ 2,820,204
Affordable Care Act Grants for New and Expanded Services Under the Health Center Program	93.527	39,987
Total Health Centers Cluster		<u>2,860,191</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	305,393
Total Direct Programs		<u>3,165,584</u>
Passed through the Mississippi Department of Health:		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	12,009
Passed through the Mississippi Primary Health Care Association:		
Strong Start for Mothers and Newborns	93.611	47,241
Total Passed through Mississippi Department of Health		<u>59,250</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u><u>3,224,834</u></u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Pass through the Mississippi Department of Health:		
Special Supplement Nutrition Program for Women, Infants, and Children	10.557	837,946
Total Passed through the Mississippi Department of Health		<u>837,946</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>837,946</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
The School and Libraries Program of the Universal Service Fund	32.XXX	128,397
TOTAL FEDERAL COMMUNICATIONS COMMISSION		<u>128,397</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 4,191,177</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the financial statements.

G.A. Carmichael Family Health Center, Inc.

Notes to the Supplementary Information
For the Year Ended June 30, 2014

(1) Basis of Presentation.

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Certain costs have been allocated to the federal programs in accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. The amounts presented in this schedule do not differ from amounts presented in, or used in the preparation of, the financial statements.

REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of
G.A. Carmichael Family Health Center, Inc.
Canton, MS

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 G.A. Carmichael Family Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 May 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered G.A. Carmichael Family 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of G.A. Carmichael Family Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of G.A. Carmichael Family Health Center, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 14, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of
G.A. Carmichael Family Health Center, Inc.
Canton, MS

Report on Compliance for Each Major Federal Program

We have audited G.A. Carmichael Family Health Center, Inc.'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 G.A. Carmichael Family Health Center, Inc.'s major federal programs for the year ended June 30, 2014. G.A. Carmichael Family 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 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 G.A. Carmichael Family Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 G.A. Carmichael Family 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 G.A. Carmichael Family Health Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, G.A. Carmichael Family 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, 2014.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Report on Internal Control Over Compliance

Management of G.A. Carmichael Family 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 G.A. Carmichael Family 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 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 G.A. Carmichael Family Health Center, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
May 14, 2015

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

G.A. Carmichael Family Health Center, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material Weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.224 & 93.527	Health Centers Cluster
93.918	Outpatient Early Intervention Service with Respect to HIV Disease

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.