

G.A. Carmichael Family Health Center, Inc.

Audited Financial Statements
June 30, 2012 and 2011

Fortenberry & Ballard, PC
Certified Public Accountants

FINANCIAL AUDIT REPORT

G.A. Carmichael Family Health Center, Inc.
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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of GA Carmichael Family Health Center, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GA Carmichael Family Health Center, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013, on our consideration of GA 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These schedules are the responsibility of management and were derived from and relate 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 schedule of functional expenses and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 31, 2013

Certified Public Accountants

FINANCIAL STATEMENTS

G. A. Carmichael Family Health Center
Statement of Financial Position
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11,140	\$ 368,392
Certificates of deposit	607,469	598,178
Patient care receivables, less allowance of \$664,805 and \$884,083, respectively	783,729	630,693
Grants and contracts receivable	186,631	253,076
Other receivables	643	791
Total Current Assets	<u>1,589,612</u>	<u>1,851,130</u>
Fixed Assets, net of accumulated depreciation		
Land	205,450	205,450
Building and improvements	2,997,755	2,997,755
Leasehold improvements	222,468	222,468
Furniture and equipment	1,351,354	1,351,354
Vehicles	96,257	96,257
Less accumulated depreciation	<u>(3,647,268)</u>	<u>(3,451,334)</u>
Total fixed assets, net	<u>1,226,016</u>	<u>1,421,950</u>
Other Assets		
Medicare Payments Escrowed	953,098	641,527
Refundable Security Deposits	4,620	4,620
Utility Deposits	3,355	3,355
Total other assets	<u>961,073</u>	<u>649,502</u>
TOTAL ASSETS	<u>3,776,701</u>	<u>3,922,582</u>
LIABILITIES		
Current Liabilities		
Accounts payable, trade	315,838	244,696
Payroll taxes payable	144,056	74,479
Other payroll deductions	74,121	15,032
Salaries payable	102,192	312,604
Accrued annual leave	143,574	117,332
Line of credit payable	350,650	350,650
Deferred grant revenue	1,386,111	704,268
Long-term liabilities, current portion	<u>245,005</u>	<u>194,426</u>
Total Current Liabilities	<u>2,761,547</u>	<u>2,013,487</u>
Long-Term Liabilities, net of current portion		
Notes Payable	946,488	1,062,544
Capital Lease Payable	-	30,434
Total Long-Term Liabilities	<u>946,488</u>	<u>1,092,978</u>
TOTAL LIABILITIES	<u>3,708,035</u>	<u>3,106,465</u>
NET ASSETS		
Unrestricted		
Operating	(93,206)	681,571
Invested in fixed assets, net	<u>161,872</u>	<u>134,546</u>
TOTAL NET ASSETS	<u>\$ 68,666</u>	<u>\$ 816,117</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
SUPPORT AND REVENUES		
Support		
Grants and contracts	\$ 4,244,618	\$ 4,699,841
Total Support	<u>4,244,618</u>	<u>4,699,841</u>
Revenues		
Health care services, net of charity, bad debt and contractual adjustments of \$6,149,990 and \$6,381,752, respectively	3,870,592	3,849,382
Rental income	-	12,000
Interest income	9,337	6,827
Other income	8,258	37,984
Total Revenues	<u>3,888,187</u>	<u>3,906,193</u>
TOTAL SUPPORT AND REVENUES	<u>8,132,805</u>	<u>8,606,034</u>
EXPENSES		
Program Services		
Health care services	6,461,276	5,747,334
Community services	41,266	145,635
Total Program Services	<u>6,502,542</u>	<u>5,892,969</u>
Supporting Services		
Management and general	2,377,714	2,578,879
Total Supporting Services	<u>2,377,714</u>	<u>2,578,879</u>
TOTAL EXPENSES	<u>8,880,256</u>	<u>8,471,848</u>
CHANGE IN NET ASSETS	<u>(747,451)</u>	<u>134,186</u>
Net Assets, Beginning of Year	816,117	1,212,499
Prior period adjustment	-	(530,568)
Net Assets, Beginning of Year, restated	<u>816,117</u>	<u>681,931</u>
NET ASSETS END OF YEAR	<u>\$ 68,666</u>	<u>\$ 816,117</u>

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (747,451)	\$ 134,186
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation expense	195,934	266,172
Decrease (increase) in:		
Patient care receivables	(153,036)	7,649
Grants and contracts receivables	66,445	(137,433)
Accrued interest receivable	-	15,121
Other receivable	148	187,669
Other assets	(311,571)	(641,527)
Increase (decrease) in:		
Accounts payable, trade	71,142	(124,079)
Payroll taxes payable	69,577	42,148
Other payroll deductions	59,089	3,105
Salaries payable	(210,412)	154,858
Accrued annual leave	26,242	(39,762)
Deferred grant revenue	681,843	704,268
Line of credit payable	-	350
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(252,050)</u>	<u>572,725</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of investment securities	-	700,901
Purchase of investment securities	-	(598,178)
Interest earned on investments	(9,291)	6,403
Acquisition of fixed assets	-	(118,386)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(9,291)</u>	<u>(9,260)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	136,328	-
Principal reduction in mortgage and notes payable	(232,239)	(195,073)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(95,911)</u>	<u>(195,073)</u>
NET (DECREASE) INCREASE IN CASH	<u>(357,252)</u>	<u>368,392</u>
CASH, BEGINNING OF YEAR	368,392	-
CASH, END OF YEAR	<u>\$ 11,140</u>	<u>\$ 368,392</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for:

Interest expense	\$ 77,269	\$ 100,702
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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, 2012

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2012

(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 Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and 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,

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2012

Inc. with the terms of the grants.

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.

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2012

H. Restricted and Unrestricted Revenue and Support

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

The Center charges annual leave earned by employees which have not been used by them at the end of a period to the period that the leave is earned.

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 circumstances of the account.

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2012

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.

(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 \$11,140 and the bank balance was \$221,148.

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, 2012, none of the Center's bank balance of \$221,148 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, 2012 was \$783,729. 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, 2012

	Balance 06-30-2011	Additions	Balance 06-30-2012
<u>Non-depreciable capital assets:</u>			
Land	\$205,450		205,450
<u>Depreciable capital 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	1,351,354		1,351,354
Total depreciable capital assets	4,667,834	0	4,667,834
<u>Less accumulated depreciation</u>			
Building and improvements	1,946,880	124,738	2,071,618
Leasehold improvements	195,592	10,451	206,043
Vehicles	96,257	0	96,257
Furniture and equipment	1,212,605	60,745	1,273,350
Total accumulated depreciation	3,451,334	195,934	3,647,268
Total depreciable capital assets, net	1,216,500	(195,934)	1,020,566
Capital assets, net	<u>\$1,421,950</u>	<u>(195,934)</u>	<u>1,226,016</u>

(6) Commitments

Annual Leave

The cost of employees' unused annual leave at June 30, 2012 in the amount of \$143,574 is included in the financial statements. See Note 2 (J).

(7) Line of Credit Payable

The Center has a \$350,650 operating line of credit with a local bank bearing 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, 2012, \$350,650 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 7-1-2011	Additions	Reductions	Balance 6-30-2012	Amounts due within one year
A. Notes Payable	\$ 1,173,460	0	109,316	1,064,144	117,656
B. Loan Payable	0	136,328	8,979	127,349	127,349
C. Capital Lease Payable	113,944	0	113,944	0	0
Total	<u>\$ 1,287,404</u>	<u>0</u>	<u>232,239</u>	<u>1,191,493</u>	<u>245,005</u>

G.A. Carmichael Family Health Center, Inc.

Notes to Financial Statements
For the Year Ended June 30, 2012

A. Notes Payable

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Notes Payable	6.5%	08/17/2009	09/13/2019	\$ <u>1,340,913</u>	<u>1,064,144</u>

Maturities of long-term notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2013	\$ 117,656	66,385	184,041
2014	126,412	57,669	184,081
2015	135,081	49,000	184,081
2016	143,990	40,091	184,081
2017	153,707	30,374	184,081
2018-2020	387,298	29,770	417,068
Total	\$ <u>1,064,144</u>	<u>273,289</u>	<u>1,337,433</u>

B. Loan Payable

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Loan Payable	3.54%	04/10/2012	11/29/2012	\$ <u>136,328</u>	<u>127,349</u>

Maturities of long term loan payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2013	\$ 127,349	1,804	129,153
Total	\$ <u>127,349</u>	<u>1,804</u>	<u>129,153</u>

C. Capital Lease Payable

The Center leases certain equipment under agreements classified as capital leases. The capital lease obligations are collateralized by the equipment.

Capital lease payable was paid in full during the fiscal year.

(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, 2012

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 - Litigation

The Center is party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate the outcome or liability, if any, of the Center with respect to the various proceedings. However, the Center's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the Center.

(11) 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 GA Carmichael Family Health Center, Inc. evaluated the activity of the Center through December 31, 2013, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

- A. A loan was issued on November 27, 2012 in the amount of \$480,000 with additional principal borrowed on May 21, 2013 in the amount of \$132,763.
- B. On December 10, 2013, Medicare settled \$690,767 of the total outstanding amount due.

SUPPLEMENTAL INFORMATION

G. A. Carmichael Family Health Center, Inc.
 Schedule of Functional Expenses
 Fiscal Year Ended June 30, 2012

Schedule 1

	PROGRAM SERVICES		SUPPORTING SERVICES	Total Expenses
	Health Care Services	Community Services	Management and General	
Salaries and Wages	\$ 3,859,930	32,247	1,164,497	5,056,674
Payroll Taxes and Benefits	783,249	8,347	258,193	1,049,789
Agreements and Other Services	909,976	-	121,284	1,031,260
Equipment	68,226	-	244,668	312,894
Consumables and Goods	307,085	-	58,010	365,095
Travel	19,976	472	13,437	33,885
Plant and Facility	162,569	-	146,762	309,331
Workshops and Meetings	31,815	-	21,667	53,482
Dues and Memberships	3,726	200	12,900	16,826
Insurance	12,635	-	34,501	47,136
Telecommunications and Postage	235,427	-	48,692	284,119
Advertising	50	-	375	425
Property and Sales Tax	2,960	-	3,461	6,421
Miscellaneous and Other Expenses	19,121	-	20,595	39,716
Total expenses before depreciation and interest	<u>6,416,745</u>	<u>41,266</u>	<u>2,149,042</u>	<u>8,607,053</u>
Depreciation	41,862	-	154,072	195,934
Interest	2,669	-	74,600	77,269
Total Expenses	<u>\$ 6,461,276</u>	<u>41,266</u>	<u>2,377,714</u>	<u>8,880,256</u>

G. A. Carmichael Family Health Center, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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 Program		
Bureau of Primary Health Care		
Health Centers Cluster:		
Consolidated Health Centers	93.224	\$ 3,206,346
Affordable Care Act Grants for New and Expanded Services Under the Health Center Program	93.527	<u>15,598</u>
Total Health Centers Cluster		<u>3,221,944</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	331,774
ARRA - Health Center Integrated Services Development	93.703	61,747
ARRA- Capital Improvement	93.703	46,900
Total Direct Programs		<u>3,662,365</u>
Passed through the Mississippi Department of Health:		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	<u>172,759</u>
Passed through the Mississippi Primary Health Care Association:		
Children's Health Insurance Program	93.767	<u>2,008</u>
Total Passed through		<u>174,767</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>3,837,132</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Pass through the Mississippi Department of Health:		
Special Supplement Nutrition Program for Women, Infants,	10.557	<u>738,798</u>
Total Passed through the Mississippi Department of Health		<u>738,798</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>738,798</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 4,575,930</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 Supplemental Information
For the Year Ended June 30, 2012

(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.

INTERNAL CONTROL AND COMPLIANCE REPORTS

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
GA Carmichael Family Health Center, Inc.
Canton, MS

We have audited the financial statements of GA Carmichael Family Health Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 31, 2013. 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.

Internal Control Over Financial Reporting

Management of GA Carmichael Family Health Center, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered GA Carmichael Family Health Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GA Carmichael Family Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, finding 2012-1 to be a material weakness.

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GA Carmichael Family Health Center, Inc.'s financial statements are free of 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*.

GA Carmichael Family Health Center, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit GA Carmichael Family Health Center, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 31, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

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

Compliance

We have audited GA 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 GA Carmichael Family Health Center, Inc.'s major federal programs for the year ended June 30, 2012. GA 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of GA Carmichael Family Health Center, Inc.'s management. Our responsibility is to express an opinion on GA Carmichael Family Health Center, Inc.'s compliance based on our audit.

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 GA 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. Our audit does not provide a legal determination of GA Carmichael Family Health Center, Inc.'s compliance with those requirements.

In our opinion, GA Carmichael Family Health Center, Inc. complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of GA Carmichael Family Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered GA Carmichael Family Health Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to

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determine the auditing procedures for the purpose of expressing our opinion on compliance 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 GA 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 31, 2013

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, 2012

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes.
 - b. Significant deficiencies identified? None reported.
3. Noncompliance material to the financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weaknesses identified? No.
 - b. Significant deficiencies identified? None Reported.
5. Type of auditor's report issued on compliance for major programs: Unqualified
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:
 - a. CFDA # 93.224 & 93.527 Health Centers Cluster
 - b. CFDA # 10.557 Special Supplement Nutrition Program for Women, Infants, and Children
8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Auditee qualified as a low-risk auditee? No.

Section II: Findings Relating to the Financial Statements

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

Material Weakness

Finding 2012-1

Statement of Condition – A system of strong internal controls should ensure financial data is available for audit in a timely manner. All of the financial data needed to complete the audit was not furnished timely as requested.

Cause – This condition existed because (1) management lacked the requisite skill, knowledge, and abilities to establish adequate controls and practices for financial reporting, and (2) an inadequately trained staff was challenged in transitioning to a new accounting software program.

Recommendation – We recommend a system of internal controls to ensure the reporting of accurate and timely financial information produced from the accounting software program on an ongoing basis by knowledgeable personnel.

Section III: Findings and Questioned Costs for Federal Awards

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

G.A. Carmichael Family Health Center, Inc.
PO Box 588
Canton, MS 39046

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section__315(c) of OMB Circular A- 133, the G.A. Carmichael Family Health Center, Inc. has prepared and hereby submits the following corrective action plan for audit findings as of June 30, 2012:

Finding 2012-1

Planned Corrective Action: This material weakness resulting from lack of executive and financial leadership skill coupled with the difficult transition to the new accounting software program is being addressed as follows:

- Ms. Nikita Ransburg was hired as Chief Financial Officer in mid-November 2013, after almost eight months without a top full-time finance leader. Ms. Ransburg has requisite experience in community health center financial management, and possesses an in-depth knowledge of the accounting software program in use at the Center. She will be transferring her knowledge of the accounting system to the staff. Knowledge gaps will be identified and closed, in consultation with the accounting software training solutions provider.
- A seasoned certified public accountant—with vast experience in both corporate and health care financial management—is currently working as a consultant with Ms. Ransburg and the fiscal team to establish a system of controls and prudent management practices to ensure timely and accurate reporting of the Center's financial position and performance in the form of monthly and annual financial statements.
- The fiscal team is well on its way to having financial statements for the fiscal year ended June 30, 2013, ready for audit by January 31, 2014. Once that significant milestone is reached, then full attention will be directed to generating monthly financial statements on a timely and consistent basis starting in February 2014.
- The Board of Directors made a change at the chief executive officer position, and is currently conducting a nationwide search and screen for a permanent, highly capable replacement.
- The Board of Directors is committed to providing the leadership and oversight necessary to ensure that monthly financial statements are available for Board review, discussion, and action.

Responsible Party: Board of Directors; Luberida Smith, Interim Chief Executive Officer; and Nikita Ransburg, Chief Financial Officer

Anticipated Completion Date: February 28, 2014