PANCARE OF FLORIDA, INC.

PANAMA CITY, FLORIDA

FINANCIAL STATEMENTS

YEAR ENDED NOVEMBER 30, 2017

Tipton, Marler, Garner & Chastain
The CPA Group

PANCARE OF FLORIDA, INC.

PANAMA CITY, FLORIDA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
PanCare of Florida, Inc.
Panama City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of PanCare of Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of November 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2020, on our consideration of PanCare of Florida, 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 solely 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 the effectiveness of PanCare of Florida, Inc.'s 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 PanCare of Florida, Inc.'s internal control over financial reporting and compliance.

Tipton, Marler, Garner & Chastain

Panama City, Florida
July 29, 2020

PANCARE OF FLORIDA, INC.
STATEMENT OF FINANCIAL POSITION
NOVEMBER 30, 2017

ASSETS

Current Assets:	
Cash and cash equivalents, unrestricted	$ 6,080,988
Cash and cash equivalents, restricted	53,788
Grants receivable	765,628
Accounts receivable, net	739,111
Prepaid expenses	48,883
Deposits	9,697
Total current assets	7,698,095
Property and Equipment, Net	6,598,361
Total Assets	$ 14,296,456

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	$ 494,767
Accrued interest	40,630
Payroll and related liabilities	162,358
Current portion of compensated absences	47,971
Deferred revenue	1,688
Current portion of notes payable	77,194
Total current liabilities	824,608
Long-Term Liabilities:	
Compensated absences, less current portion	143,913
Notes payable, less current portion	1,785,919
Total long-term liabilities	1,929,832
Total liabilities	2,754,440
Net Assets:	
Unrestricted	11,541,516
Temporarily restricted	500
Total net assets	11,542,016
Total Liabilities and Net Assets	$ 14,296,456

See the accompanying notes.

PANCARE OF FLORIDA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED NOVEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Net patient service revenues	$ 6,412,299	$ -	$ 6,412,299
Capitation revenue	351,786	-	351,786
Contributed support	1,963,763	-	1,963,763
Grant income:			
Louisiana Public Health Institute	201,676	-	201,676
Other grant income	107,663	-	107,663
Tulane University	85,665	-	85,665
U.S. Department of Health and Human Services	6,861,288	-	6,861,288
Interest	13,845	-	13,845
Medicaid wrap around	303,788	-	303,788
Medical records	6,296	-	6,296
Other	397,122	500	397,622
Pharmacy income	583,885	-	583,885
Prescription medication	1,714	-	1,714
Rent	15,787	-	15,787
Total support and revenues	17,306,577	500	17,307,077
Expenses:			
Program services:			
Health centers	12,994,594	-	12,994,594
Supporting services:			
Management and general	1,022,058	-	1,022,058
Total expenses	14,016,652	-	14,016,652
Change in Net Assets	3,289,925	500	3,290,425
Net Assets, Beginning of Year	8,251,591	-	8,251,591
Net Assets, End of Year	$ 11,541,516	$ 500	$ 11,542,016

See the accompanying notes.

PANCARE OF FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED NOVEMBER 30, 2017

	Program Services	Supporting Services	
	Health Centers	**Management and General**	**Total Expenses**
Expenses			
Payroll:			
Salaries	$ 6,743,049	$ 749,228	$ 7,492,277
Fringe benefits	1,111,380	123,487	1,234,867
Total payroll	7,854,429	872,715	8,727,144
Other:			
Administration	335,019	37,224	372,243
Computers	301,411	33,490	334,901
Contract services	3,675	-	3,675
Depreciation	290,967	21,901	312,868
Insurance	51,922	3,908	55,830
Interest	77,444	-	77,444
Licenses	89,684	-	89,684
Miscellaneous	11,376	-	11,376
Occupancy	471,406	35,482	506,888
Outreach	114,011	-	114,011
Patient costs	2,945,262	-	2,945,262
Professional fees	161,267	-	161,267
Recruiting	79,745	8,860	88,605
Supplies	76,305	8,478	84,783
Training	7,865	-	7,865
Travel	122,806	-	122,806
Total other	5,140,165	149,343	5,289,508
Total Expenses	$ 12,994,594	$ 1,022,058	$ 14,016,652

See the accompanying notes.

PANCARE OF FLORIDA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED NOVEMBER 30, 2017

Cash Flows From Operating Activities:	
Change in net assets	$ 3,290,425
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	312,868
(Increase) decrease in assets:	
Grants receivable	(429,726)
Accounts receivable, net	(174,469)
Prepaid expenses	(19,875)
Deposits	(816)
Increase (decrease) in liabilities:	
Accounts payable	432,025
Payroll and related liabilities	(17,763)
Compensated absences	17,325
Deferred revenue	(299,475)
Net cash provided by operating activities	3,110,519
Cash Flows From Investing Activities:	
Purchase of property and equipment	(2,189,028)
Cash Flows From Financing Activities:	
Advances on notes payable	1,170
Principal repayments of notes payable	(70,998)
Net cash used in financing activities	(69,828)
Net Increase in Cash and Cash Equivalents	851,663
Cash and Cash Equivalents, Beginning of Year	5,283,113
Cash and Cash Equivalents, End of Year	$ 6,134,776
Cash and Cash Equivalents Classified As:	
Cash and cash equivalents, unrestricted	$ 6,080,988
Cash and cash equivalents, restricted	53,788
Cash and Cash Equivalents, End of Year	$ 6,134,776
Supplemental Disclosures	
Cash paid for interest	$ 77,444
Noncash investing and financing transactions:	
Purchase of property and equipment	$ (410,000)
Note payable incurred on purchase of property and equipment	410,000

See the accompanying notes.

NOTE 1 – NATURE OF OPERATIONS

PanCare of Florida, Inc. (the Organization) is a nonprofit organization, organized on March 17, 2003 and incorporated under the laws of the State of Florida. The Organization operates Federally Qualified Health Centers (FQHCs) in Bay, Calhoun, Franklin, Gulf, Holmes, Jackson, Liberty, Walton, and Washington counties within Northwest Florida, to primarily serve people on Medicaid, Medicare, and those who are uninsured on a sliding scale. The Community Health Centers provide primary and urgent care, as well as dental care and mental health support.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The Organization uses the accrual basis of accounting, which recognizes revenues when earned and expenses as incurred. Federal, state, and local government, and public grants are recorded as support when performance occurs under the terms of the grant agreements.

Basis of Presentation:

The Organization follows Federal Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, "Not-for-Profit Entities". Under FASB ASC Topic 958, the Organization is required to report 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. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends 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.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

As of November 30, 2017, the Organization had $500 in temporarily restricted net assets available for the purchase of trolley passes and no permanently restricted net assets.

Support that is restricted by the grantor/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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

grantor/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, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all cash, certificates of deposit, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

The Organization maintains its cash balances with local financial institutions. These balances have exceeded the Federal Deposit Insurance Corporation (FDIC) federally insured limit of $250,000. The amount uninsured at November 30, 2017 was $5,660,656.

Accounts Receivable and Allowance for Doubtful Accounts:

Accounts receivable, net the allowance for doubtful accounts at November 30, 2017 consists of the following:

Employee advance payments	$	1,200
Billings to third-party payors recorded at patient services rates, net of discounts that are to be reimbursed based upon contractual agreements		224,172
Amounts due from the State of Florida related to managed care agreements		513,739
Total accounts receivable, net	$	739,311

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The Organization's policy is to attempt collection by sending bills three times and then amounts are subject to write off after 120 days with approval of management.

The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The Organization considers all receivables to be collectible at November 30, 2017, therefore, no allowance has been provided.

Property and Equipment:

Property and equipment over $5,000 are recorded at historical cost, except for donated assets which are recorded at their estimated fair market value at the date of the donation. Expenses for major renewals and betterments over $5,000 that extend the useful lives of property and equipment are capitalized. Expenses for repairs and maintenance are charged to expense as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives of the assets are generally as follows:

Buildings	30 years
Furniture, fixtures, and equipment	7-10 years
Mobile units	7 years
Vehicles	7 years

Upon sale or other disposition of assets, the cost and the related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in income.

Services:

The Organization provides medical services to all requesting individuals. In cases where patients are economically unable to pay, discounts are provided as required by federal regulations. The Organization has made provisions for any collection risk associated with services provided.

Revenue Recognition:

Income from patient services and federal and nonfederal funding are recorded as earned. Capitation and Medicaid wrap around funding are recorded as earned during the period that

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

beneficiaries are entitled to health care services. Funds received in advance of the applicable use for which it was obtained is deferred and recognized as deferred revenue in the statement of financial position.

New Patient Service Revenues:

New patient service revenues are recognized on the date services are provided to patients and is recorded at estimated net realizable amounts from patients, third-party payors, and others. The Organization only recognizes patient service revenues to the extent it is expected to be collected.

Third-Party Reimbursements:

The Organization accepts assignments from Medicare, Medicaid, managed care providers, and private insurance companies and receives a significant portion of its patient fees from these insurers.

Contributed Support:

The Organization records the value of donated facilities, materials, and services when there is an objective basis available to measure their value. Donated facilities, materials, supplies, and services are reflected as support in the accompanying statements at their estimated fair value at date of donation. For the year ended November 30, 2017, the Organization recorded donated facilities, materials, supplies, and services that totaled $1,963,763.

Advertising Costs:

Advertising costs are expensed as incurred. Advertising costs of $114,011 are included in outreach expenses in the statement of functional expenses for the year ended November 30, 2017.

Income Taxes:

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity.

Use of Estimates:

The preparation of the Organization's financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance – Professional Liability:

The Organization's clinical locations are Federal Torts Claims Act (FTCA) deemed facilities because they are a Health Resources and Services Administration (HRSA) – supported health centers and therefore, the Organization is not liable for any settlements or judgements that are made under the FTCA. The Federal government assumes responsibility for these costs. Deemed health center program grantees are immune from medical malpractice lawsuits resulting from the performance of medical, surgical, dental, or related functions on projects within the approved scope.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net at November 30, 2017 consists of the following:

Buildings	$ 4,856,732
Furniture, fixtures, and equipment	815,519
Land	167,098
Mobile units	742,580
Vehicles	337,855
Construction in progress	805,644
	7,725,428
Less: accumulated depreciation	(1,127,067)
Property and equipment, net	$ 6,598,361

Depreciation expense for the year ended November 30, 2017 was $312,868.

NOTE 4 – EMPLOYEE LEAVE BENEFITS

The Organization's policy is to permit employees to accumulate a limited amount of earned but unused paid time off which will be paid to employees upon separation from the Organization. Accrued benefits at November 30, 2017 amounted to $191,884 representing the Organization's commitment to fund such costs from future operations and have been included in compensated absences in the accompanying statement of financial position.

NOTE 5 – NOTES PAYABLE

The Organization's notes payable at November 30, 2017 consists of the following:

	Due Within One Year	Due After One Year
$540,000 note payable to United States Department of Agriculture Rural Development Agency dated June 2010; interest rate fixed at 4.0% per annum; payable in annual installments of $21,600 (interest only for the first two years), then $32,411, including interest, thereafter; the capital assets (carrying value of $461,686), accounts receivable and general intangibles are pledged as collateral for the note; matures June 2040.	$ 13,153	$ 468,644
$197,500 seller financed mortgage note; interest rate fixed at 5.0% per annum; payable in monthly installments of $1,562, including interest; the capital assets (carrying value of $1,303,959) associated with the property are pledged as collateral for the note; matures April 2027.	11,595	135,744
$230,000 note payable to United States Department of Agriculture Rural Development Agency; interest rate fixed at 3.5% per annum; payable in annual installments of $19,971, including interest; the capital assets (carrying value of $211,568), accounts receivable and general intangibles are pledged as collateral for the note; matures December 2027.	13,680	161,436
$222,400 note payable to United States Department of Agriculture Rural Development Agency; interest rate fixed at 3.5% per annum; payable in annual installments of $19,311,including interest; the capital assets (carrying value of $204,577), accounts receivable and general intangibles are pledged as collateral for the note; matures December 2027.	13,227	153,577
$542,000 note payable to United States Department of Agriculture Rural Development Agency; interest rate fixed at 3.5% per annum; payable in annual installments of $29,474, including interest; the capital assets (carrying value of $644,811), accounts receivable and general intangibles are pledged as collateral for the note; matures December 2042.	12,054	481,843

NOTE 5 – NOTES PAYABLE (Continued)

	Due Within One Year	Due After One Year
$410,000 note payable to B & K Properties Real Estate LLC; interest rate fixed at 4.5% per annum; payable in monthly installments of $2,594 with a balloon payment of $340,342, including interest; the capital assets (carrying value of $882,041), associated with the property are pledged as collateral for the note; matures January 2022.	13,485	384,675
Total notes payable	$ 77,194	$ 1,785,919

The United States Department of Agriculture Rural Development Agency (USDA) requires a regular monthly reserve to be set aside for each of the outstanding USDA notes. The reserve amount at November 30, 2017 was $53,788, which is reported on the financial statements as cash and cash equivalents, restricted.

Future principal maturities on notes payable at November 30, 2017 are as follows:

Fiscal Year Ending November 30	USDA	Seller Financed	B & K Properties Real Estate, LLC
2018	$ 52,114	$ 11,595	$ 13,485
2019	54,004	12,188	14,105
2020	55,962	12,812	14,752
2021	57,992	13,468	15,430
2022	60,096	14,157	340,388
Thereafter	1,037,446	83,119	-
Total	$ 1,317,614	$ 147,339	$ 398,160

71% and 21% of notes payable are due to the United States of Department of Agriculture Rural Development Agency and B & K Properties Real Estate, LLC, respectively, for the year ended November 30, 2017.

NOTE 6 – NET PATIENT SERVICE REVENUES

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

NOTE 6 – NET PATIENT SERVICE REVENUES (Continued)

Medicare – Patient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that are based on clinical, diagnostic, and other factors. Patient services and defined capital costs related to Medicare beneficiaries are paid on a cost-reimbursement basis. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary. Approximately 12% of the Organization's net patient service revenues were derived from Medicare beneficiaries during the year ended November 30, 2017.

Medicaid – Patient services rendered to Medicaid program beneficiaries are reimbursed under a cost-reimbursement methodology with certain limitations and rate schedules. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicaid fiscal intermediary. Patient services are reimbursed based on an established fee schedule. Annually, a copy of the Medicaid cost report is submitted to the Medicaid agency to assist the agency in monitoring the program. Approximately 56% of the Organization's net patient service revenues were derived from Medicaid beneficiaries during the year ended November 30, 2017.

Other – The Organization has entered into payment agreements with certain commercial insurance carriers, managed care programs, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Approximately 10% of the Organization's net patient service revenues were derived from these sources during the year ended November 30, 2017.

Self-pay – Private patient charges make up the remaining 22% of the net patient service revenues. Private patient charges may be based on a sliding fee scale (also known as the charity program). This scale is used to limit fees a patient is charged based on the individual's income and family size.

NOTE 7 – OPERATING LEASES

The Organization has entered into various leases for its operating purposes. These leases are recorded as operating leases. Rental payments under the leases totaled $62,025 for the year ended November 30, 2017 and is included in occupancy expenses in the statement of functional expenses.

The Organization is the lessee in three agreements for the use of office space. The leases include minimum monthly payments of $2,300, $2,219, and $1,500 and expire December 2019, November 2019, and October 2018, respectively.

NOTE 7 – OPERATING LEASES (Continued)

Future minimum rental commitments for five succeeding fiscal years at November 30, 2017 are as follows:

Fiscal Year Ending November 30:	Amount
2018	$ 63,125
2019	54,225
2020	2,300
2021	-
2022	-

NOTE 8 – RETIREMENT PLAN

The Organization sponsors a 403(b)-thrift plan (Plan) for eligible employees. All employees are eligible to participate on the entry date, which is one day after the date of hire. Employer contributions include a base contribution equal to 3% of eligible compensation, whether the employee contributes or not, and a matching contribution of 100% of the employees' contribution up to a maximum of 6% of compensation received during the Plan year. The Organization can contribute up to 9% of eligible compensation for an employee. Employees become 50% vested at the completion of two years of service and are fully vested at the end of three years of service. Employer contributions to the Plan totaled $316,081 during the year ended November 30, 2017.

NOTE 9 – ECONOMIC DEPENDENCY

The Organization receives a substantial amount of its support from the federal government. A significant reduction in the level of this support would have a significant adverse effect on the Organization's programs and activities. Such funding is also subject to audit, which could result in claims against the Organization for disallowed costs or noncompliance with contracts or grantor restrictions. No provision has been made for any liability that might arise from such audits. For the year ended November 30, 2017, the Organization received $6,861,288 from the federal government which represents 40% of total support and revenues for the year and 94% of grants receivable.

A substantial amount of patient service revenues is from third-party reimbursements. Such amounts are subject to adjustment. The Organization believes these adjustments will not materially affect these financial statements.

NOTE 10 – GRANT FUNDING

The Organization receives grant funding from Louisiana Public Health Institute (LPHI) to expand capacity for and access to high quality, sustainable, community-based health care services on the Gulf Coast. The Organization receives $201,676 in grant income for the year ended November 30, 2017. The Organization also receives grant funding from Tulane University to cover a percentage of social worker payroll costs. The Organization received $85,665 in grant income for the year ended November 30, 2017. The Organization received other miscellaneous grants in the amount of $107,663 for the year ended November 30, 2017.

NOTE 11 – RELATED ORGANIZATIONS

The Organization provides office space for two related nonprofit organizations that share common management and charges monthly rent of $1,050. Rental income from the related-party organizations was $12,600 for the year ended November 30, 2017. At year-end, no amounts were due to or from the related nonprofit organizations.

NOTE 12 – SUBSEQUENT EVENTS

In October 2018, the Organization was impacted by Hurricane Michael which severely damaged some of the Organization's facilities. As of July 29, 2020, the Organization has received $1,001,948 in insurance proceeds related to its claim and expended $890,625 for hurricane related expenses. Damaged property and equipment are being evaluated for possible impairment; no determination has been made at this time.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the operational and financial performance of the Organization will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's patients, employees, and vendors all of which are uncertain and cannot be predicted. As of the date these financial statements were issued, the extent to which COVID-19 may impact the Organization's financial condition or results of operations cannot be reasonably estimated.

Subsequent events have been evaluated through July 29, 2020, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PANCARE OF FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED NOVEMBER 30, 2017

Federal Grantor	Federal CFDA Number	Grant/Award Number	Total Federal Expenditures
U.S. Department of Health and Human Services:			
Direct Awards			
Health Center Cluster:			
Health Center Program (Community Health Centers, Health Care for the Homeless and Public Housing Primary Care)			
	93.224	H80CS06452-11	$ 1,876,080
	93.224	H80CS06452-12	4,185,983
			6,062,063
Health Infrastructure Investment Program:			
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	C8DCS29218-01	799,225
Total Expenditures of Federal Awards			$ 6,861,288

See the accompanying notes to the schedule of expenditures of federal awards.

PANCARE OF FLORIDA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED NOVEMBER 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the SEFA) summarizes the federal expenditures of the Organization under programs of the federal government for the year ended November 30, 2017. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported as federal expenditures were obtained from the Organization's general ledger. Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. The Organization has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the SEFA. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – CONTINGENCIES

Grant monies received and disbursed are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. The Organization does not believe that such disallowance, if any, would have a material effect on its financial position. As of November 30, 2017, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

NOTE 4 – INDIRECT COST RATE

The Organization has elected not to use the 10% deminimis indirect cost rate allowed under the Uniform Guidance.

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
PanCare of Florida, Inc.
Panama City, Florida

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 PanCare of Florida, Inc. (nonprofit organization), which comprise the statement of financial position as of November 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered PanCare of Florida, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PanCare of Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of PanCare of Florida, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, 2017-003, and 2017-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PanCare of Florida, 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*.

PanCare of Florida, Inc.'s Responses to Findings

PanCare of Florida, Inc.'s responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. PanCare of Florida, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Tipton, Marler, Garner & Chastain

Panama City, Florida
July 29, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
PanCare of Florida, Inc.
Panama City, Florida

Report on Compliance for Each Major Federal Program

We have audited PanCare of Florida, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of PanCare of Florida, Inc.'s major federal programs for the year ended November 30, 2017. PanCare of Florida, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of PanCare of Florida, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PanCare of Florida, 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 PanCare of Florida, Inc.'s compliance.

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Opinion on Each Major Federal Program

In our opinion, PanCare of Florida, 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 November 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-005 and 2017-007. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of PanCare of Florida, 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 PanCare of Florida, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PanCare of Florida, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we did identify certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-005 and 2017-006 to be significant deficiencies.

PanCare of Florida, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. PanCare of Florida, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Tipton, Marler, Garner & Chastain

Panama City, Florida
July 29, 2020

PANCARE OF FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED NOVEMBER 30, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of PanCare of Florida, Inc. were prepared in accordance with GAAP.

2. Four material weaknesses disclosed during the audit of the financial statements are reported in the 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*. No significant deficiencies are reported.

3. No instances of noncompliance material to the financial statements of PanCare of Florida, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. Two significant deficiencies in internal control over major federal award programs and two instances of noncompliance are disclosed in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.

5. The auditor's report on compliance for the major federal award programs for PanCare of Florida, Inc. expresses an unmodified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.

7. The programs tested as major programs were:

Federal Program	Federal CFDA No.
Health Center Cluster	93.224
Health Infrastructure Investment Program	93.527

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. PanCare of Florida, Inc. did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

2017-001 Segregation of Duties (Previously Reported 2016-001 and 2015-001)

Condition: Due to the limited number of staff, the Organization does not have proper segregation of duties in many areas. Due to the lack of segregation of duties and related limited internal controls, the chief financial officer currently has the ability to issue and approve cash disbursements; reconcile the cash accounts; input, edit, and approve accounting journal entries; and prepare the financial information.

FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Criteria: Authorization, custody, and record keeping duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Cause: The Organization has limited staff available which can lead to certain incompatible duties being performed by one person. The Organization has considered the costs of hiring additional staff to achieve proper segregation of duties and has determined that the costs would outweigh the derived benefits at this time.

Effect: This situation provides opportunity for errors and unauthorized transactions to not be detected in a timely manner.

Recommendation: We recommend that the Organization segregate duties as much as possible and implement mitigating controls where segregation of duties is not possible due to the size of the Organization.

Views of Responsible Officials and Planned Corrective Actions: This issue results from the limited number of employees in the Organization. The duties of office personnel are continually being reviewed by the administration in an effort to provide more effective internal controls and to work toward a more effective and efficient overall operational structure. To counteract the problem of only having two employees in accounting, additional approvals will be implemented from third parties on key transactions to minimize risk. A third employee has also been added.

<u>2017-002 Revenue Recognition Procedures (Previously Reported 2016-002 and 2015-002)</u>

Condition: Material adjustments were needed to adjust grants receivable and accounts receivable due to the procedures followed during the year. It was noted that the procedures related to determination of accounts receivable, particularly billings to third-party payors, the allowance for doubtful accounts, and contractual allowances and discounts were considered deficient as the client is unable to produce a detailed subsidiary schedule of accounts receivable, related allowance for doubtful accounts, and contractual allowances and discounts.

Criteria: The requirement is for the Organization to be able to prepare financial statements in accordance with GAAP.

Cause: The Organization did not properly accrue revenue related to grant income and Medicaid wrap-around at year end. The Organization has billing systems separate from the main accounting software which requires monthly journal entries to combine the activity from the billing systems to the general ledger. These separate systems were not properly reconciled upon closing the financial statements.

FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Effect: Revenues/receivables were understated by material amounts before adjustment. The deficiency noted in the overall process could lead to other significant reporting errors in receivables, allowance for doubtful accounts, revenues, and the contractual allowances and discounts.

Recommendation: The Organization should record the receivable for support and revenues as they are earned. The process followed to report gross revenues and allowances in QuickBooks for billings should be reviewed in detail and updated as needed. The main concern should be making sure that the accounts being adjusted at month-end are actually related to the billings for that month and there is nothing recorded in that group of accounts that is not related to billings. The Organization should also review and update their billing software as needed to be able to produce a true accounts receivable detailed report as the basis for recording receivables instead of recording receivables based on subsequent collections which is the current procedure.

Views of Responsible Officials and Planned Corrective Actions: The Organization has implemented procedures to recognize receivables and revenues correctly at year-end. The Organization has implemented a new EHR system which allow for the proper reporting of receivables. The Organization will report receivables at actual amounts and estimate an allowance for doubtful accounts based on past experience and receivables from the EHR system.

2017-003 Cash Recording Procedures

Condition: It was noted during the year that several material cash transactions were recorded before year-end that did not occur until after year-end.

Criteria: The requirement is for the Organization to be able to prepare financial statements in accordance with GAAP.

Cause: Improper cut-off by the Organization.

Effect: Statement of financial position and statement of activities accounts, particularly cash and support and revenues, could be grossly overstated or understated thus affecting total assets and changes in net assets for the year.

Recommendation: It is recommended that the Organization record cash transactions as they actually occur and that bank accounts are reconciled timely to ensure proper cutoff.

Views of Responsible Officials and Planned Corrective Actions: The Organization has implemented procedures to recognize cash when it is received.

FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2017-004 Notes Payable Recognition Procedures

Condition: It was noted during the year that the Organization received a material loan for the purchase of a piece of property and did not properly record the transaction.

Criteria: The requirement is for the Organization to be able to prepare financial statements in accordance with GAAP.

Cause: Improper reporting by the Organization and inadequate monitoring of the financial statement transactions.

Effect: Not recording notes payable and the related asset could result in an understatement of assets and understatement of liabilities on the statement of financial position, thus not allowing users the ability to determine the financial position and liquidity of the Organization.

Recommendation: It is recommended that the Organization develop a policy to account for all future loans and purchases. Loans should be recorded at the loan origination amount with subsequent payments used to reduce the principal of the loan balance and to record interest expense.

Views of Responsible Officials and Planned Corrective Actions: A comprehensive review of notes payable has been added to the year-end checklist.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2017-005 Lack of Documentation Evidencing Income (Previously Reported 2016-003, 2015-003 and 2014-01)

Federal Agency: U. S. Department of Health and Human Services
Program: Health Center Cluster (CFDA 93.224)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: None

Condition: Out of 22 encounters tested we noted the following findings:

3 instances where documentation was insufficient to determine if the appropriate determination was made based on income levels and number of people within the household or sufficient documentation was obtained and the wrong level determination was made.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)

As noted in the Health Resources and Services Administration (HRSA) document *PIN 2014-02, Sliding Fee Discount and Related Billing and Collections Program Requirements,* some patients may choose not to provide information that the health center requires for assessing income and family size, even after being informed that they may qualify for sliding fee discounts. These patients are declining to be assessed for eligibility for sliding fee discounts. If the health center has followed its policies and supporting operating procedures and the patient declines to be considered for the Sliding Fee Discount Schedule (SFDS), the health center may consider the patient ineligible for such discounts. The document also states that neither the fees themselves nor the supporting operating procedures for assessing patient eligibility and collecting payment should create barriers to care.

Criteria: Health centers are required to have a corresponding schedule of discounts applied and adjusted based on the patient's ability to pay (42 USC 254b(k)(3)(G)(i)). The patient's ability to pay is based on the official poverty guidelines, as revised annually by HHS (42 USC 9902(2)).

Cause: Failure to obtain the required documentation was due to improper staff training or failure to properly monitor the process.

Effect: The Organization could be incorrectly billing for services and maintaining customer account balances at incorrect amounts.

Recommendation: Staff should make every effort to obtain documentation of patient income in accordance with internal policies and procedures. Patients should be billed full billing rates for all services until all documentation is received. In addition, more detailed written instructions should be given to staff to clarify exactly what is expected to be in each patient's records in various situations as well as how to perform the determination including whether gross or net income should be considered when both are provided. When patients do not have the necessary documentation and the usual and customary fee is charged, a process should be put in place to track those patients to attempt further collection of the necessary data and to track these exceptions each month with the monthly review by the Regional Operations Manager.

Views of Responsible Officials and Planned Corrective Actions: Management understands that there are frequent instances in which patients forget to bring the required proof of income with them at the time of their visit even after they were informed that this was required information to be eligible for the sliding fee discount. The policy is that patients are to be charged the usual and customary fee and that subsequently, when they furnish the information, the charged fee would be discounted as appropriate.

Management also understands that the front desk clerks are extremely busy and often times do not adhere to the policy which results in incorrect billing for services and incorrect application of the sliding fee schedule.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(Continued)

Management will a) share the results of the audit finding with the front desk personnel at all locations and clinics and b) will continue detailed training of the front desk personnel to address the problems encountered and noted in the audit finding.

Management has also implemented a monthly audit of patient records on a random test basis to determine if the income verification, the identification verification, and the proper application of the sliding fee schedule is being applied as required.

2017-006 Lack of Cash Management Documentation (Previously Reported 2016-004)

Federal Agency: U. S. Department of Health and Human Services
Program: Health Infrastructure Investment Program (CFDA 93.527)
Finding Type: Significant Deficiency
Questioned Costs: None

Condition: The Organization made drawdowns after month-end based on expenditures during the month. However, no documentation was kept to clearly document why the amount requested was chosen and that it was not more than the expected disbursement or that the chief financial officer verified that the timing was going to result in a timely disbursement of funds or not.

Criteria: Based on grant compliance requirements related to cash management, nonfederal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the nonfederal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payments by other means.

Cause: Reimbursement was requested based on the net difference between grant income received and expenditures made for a particular period; adequate documentation was not maintained to determine which specific expenses were being requested for reimbursement.

Effect: The Organization could request funds and not disburse them in a timely manner.

Recommendation: Documentation should be prepared and reviewed that directly links the amount requested to the related expenditures to clearly document that funds are being used in a timely manner and that more was not requested than was needed. Update policies and procedures as needed to reflect changes, if applicable.

Views of Responsible Officials and Planned Corrective Actions: The Organization used summary level information to compute draw down amounts. In the future, detail level information will be used. At no time did the Organization draw down more than had been spent on the project.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)

2017-007 Timely Filing of Reports

Federal Agency: U. S. Department of Health and Human Services
Program: Health Center Cluster (CFDA 93.224) and
Health Infrastructure Investment Program (CFDA 93.527)
Finding Type: Noncompliance
Questioned Costs: None

Condition: The Organization did not timely file the audit package and data collection form to the Federal Audit Clearinghouse for the past two fiscal years.

Criteria: As the Organization meets the threshold for a single audit, it is required to timely submit a single audit reporting package and data collection form to the Federal Audit Clearinghouse. To be timely filed, the audit package and the data collection form should be submitted thirty days after receipt of the auditor's report(s) or nine months after the end of the fiscal year, whichever comes first.

Cause: The fiscal year 2015 and 2016 audits were both filed late due to the change in CFOs in fiscal year 2016. The fiscal year 2016 bled over into tax season which caused the audit to be completed later than anticipated. The Organization is currently behind on audit completion because of Hurricane Michael and a change in accountants. The previous auditor decided at the last minute that they could not complete the audit and as such the Organization had to search for a new audit firm. The Organization was in the process of getting ready for the fiscal year 2017 audit when Hurricane Michael hit.

Effect: The Organization could receive funds they are not eligible to receive or could lose grant funding for not complying with applicable requirements.

Recommendation: The Organization should engage and begin the audit in a timely fashion and monitor the process of the audit to ensure it is completed in a timeframe that will allow for the timely sumission of the audit package and data collection form to the Federal Audit Clearinghouse. If there are circumstances encountered that will prevent the timely filing of these items, the Organization should request an extension for filing.

Views of Responsible Officials and Planned Corrective Actions: The Organization will ensure that audits (beginning with the fiscal year 2019 audit) are completed on time by starting the audit process sooner and making sure it does not fall within tax season.

PANCARE OF FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED NOVEMBER 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Findings 2017-001 and 2017-002 are repeat findings from the prior year.

PRIOR YEAR MAJOR FEDERAL AWARDS PROGRAM FINDINGS AND QUESTIONED COSTS

Findings 2017-005 and 2017-006 are repeat findings from the prior year.

Corrective action was taken during the current year for finding 2016-005

PanCare OF FLORIDA, INC.

Pancare of Florida, Inc.
Fiscal Year Ended November 30, 2017
Corrective Action Plan

2017-001 Segregation of Duties

Person responsible for corrective action: Chief Finance Officer

Corrective Action planned: The issue results from the limited number of employees in the organization. To counteract the problem of only having two employees in accounting, additional approvals will be implemented from third parties on key transactions to minimize risk. A third employee was also added

Anticipated completion date: Implemented

2017-002 Revenue Recognition Procedures

Person responsible for corrective action: Chief Finance Officer

Corrective Action planned: PanCare has implemented procedures to recognize receivables and revenue correctly at year end. The organization will add an allowance for doubtful accounts and base receivables on numbers from the EHR system. PanCare implemented a new EHR system which will allow for this type of reporting

Anticipated completion date: Implemented

2017-003 Cash Recording Procedures

Person responsible for corrective action: Chief Finance Officer

Corrective Action planned: PanCare has implemented procedures to recognize revenue when it is received. The original issue was simply a mistake of recognizing revenue with the wrong date.

Anticipated completion date: Implemented

2017-004 Notes Payable Recognition Procedures

Person responsible for corrective action: Chief Finance Officer

Corrective action planned: This was a mistake that was made at year end. A comprehensive review of Notes Payable has been added to the year end checklist.

Anticipated completion date: Implemented

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2017-005 Lack of Documentation Evidencing Income

Person responsible for corrective action: Chief Finance Office

Corrective action planned: Management understands that there are frequent instances in which patients forget to bring the required proof of income with them at the time of their visit even after they were informed that this was required information to be eligible for the sliding fee discount. The policy is that patients are to be charged the usual and customary fee and that subsequently, when they furnish the information, the charged fee would be discounted as appropriate.

Management also understands that the front desk clerks are extremely busy and often times do not adhere to the policy which results in incorrect billing for services and incorrect application of the sliding fee schedule.

Management will a) share the results of the audit finding with the front desk personnel at all locations and clinics and b) implement detailed training of the front desk personnel to address the problems encountered and noted in the audit finding.

Management will also implement a monthly audit of patient records on a random test basis to determine if the income verification, the identification verification and the proper application of the sliding fee schedule is being applied as required.

Anticipated completion date: Implemented

2017-006 Lack of Cash Management Documentation

Person responsible for corrective action: Chief Finance Office

Corrective action planned: The organization used summary level information to compute draw down amounts. In the future, detail level information will be used. At no time did the organization draw down more than had been spent on the project. The documentation simply was not sufficient.

Anticipated completion date: Implemented

2017-007 Timely Filing of Reports

Person responsible for corrective action: Chief Finance Office

Corrective Action Planned: PanCare will ensure that audits (beginning with the fiscal year 2019 audit) are completed on time by starting the process sooner and making sure it does not fall within tax season.

Anticipated completion date: Implemented