

**CAPITOL CITY FAMILY HEALTH CENTER, INC.
D/B/A CARE SOUTH**

AUDITED FINANCIAL STATEMENTS

**DECEMBER 31, 2023
(With Summarized Financial
Information for 2022)**

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 DECEMBER 31, 2023
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BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Capitol City Family Health Center, Inc. D/B/A Care South
Baton Rouge, Louisiana

Opinion

We have audited the accompanying financial statements of Capitol City Family Health Center, Inc. D/B/A Care South (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capitol City Family Health Center, Inc. D/B/A Care South as of December 31, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Capitol City Family Health Center, Inc. D/B/A Care South and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Capitol City Family Health Center, Inc. D/B/A Care South's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Capitol City Family Health Center, Inc. D/B/A Care South's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Capitol City Family Health Center, Inc. D/B/A Care South's ability to continue as a going concern for a reasonable period of time.

Report on Summarized Comparative Information

We have previously audited Capitol City Family Health Center, Inc. D/B/A Care South's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other-Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 20 - 22 is presented for purposes of additional analysis and is not a required part of the financial statements. 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 June 26, 2024, on our consideration of Capitol City Family Health Center, Inc. D/B/A Care South'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 Capitol City Family Health Center, Inc. D/B/A Care South'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 Capitol City Family Health Center, Inc. D/B/A Care South's internal control over financial reporting and compliance.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.


Ridgeland, Mississippi
June 26, 2024

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Statement of Financial Position
December 31, 2023
(With Summarized Financial Information for 2022)

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and cash equivalents	\$ 4,206,054	\$ 7,806,988
Investments	1,698,140	1,490,879
Patient care receivables, less allowance of \$(1,994,453) for credit losses	1,502,568	1,134,093
Grants and contracts receivable (Note 14)	260,687	398,787
Goodwill (Note 15)	210,000	210,000
Accounts receivable, other (Note 27)	<u>2,178,581</u>	<u>5,000</u>
Total Current Assets	<u>10,056,030</u>	<u>11,045,747</u>
Fixed Assets:		
Land	870,348	870,348
Buildings and Improvements	17,164,906	13,668,536
Construction In Progress	1,848,069	2,525,654
Furniture and equipment	3,996,068	3,691,489
Less: Accumulated depreciation	<u>(5,614,722)</u>	<u>(4,967,909)</u>
Net Fixed Assets	<u>18,264,669</u>	<u>15,788,118</u>
OTHER ASSETS		
Deposits	27,146	130,233
Right of use asset - operating lease	<u>99,309</u>	<u>248,271</u>
Total Other Assets	<u>126,455</u>	<u>378,504</u>
TOTAL ASSETS	<u>\$ 28,447,154</u>	<u>\$ 27,212,369</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 2,177,262	\$ 3,236,604
Salaries payable	184,408	400,226
Payroll taxes payable and accrued	127,092	94,945
Accrued annual leave	304,896	259,784
Contribution payable - current portion	265,000	260,000
Other liabilities	45,726	18,150
Notes payable (current portion) (Note 16)	132,848	169,581
Operating lease liability, current portion	<u>99,309</u>	<u>148,962</u>
Total Current Liabilities:	<u>3,336,541</u>	<u>4,588,252</u>
Long-Term Liabilities		
Notes payable (Note 16)	1,227,460	1,372,030
Contribution payable	240,000	485,000
Operating lease liability	-	99,309
Total Long-Term Liabilities	<u>1,467,460</u>	<u>1,956,339</u>
Total Liabilities	<u>4,804,001</u>	<u>6,544,591</u>
Net Assets:		
Without donor restrictions:		
Undesignated (operating)	<u>23,643,153</u>	<u>20,667,778</u>
Total Net Assets	<u>23,643,153</u>	<u>20,667,778</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,447,154</u>	<u>\$ 27,212,369</u>

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

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Statement of Operations and Changes in Net Assets
For the Year Ended December 31, 2023
(With Summarized Financial Information for 2022)

	<u>Without Donor Restrictions</u>	
	<u>2023</u>	<u>2022</u>
SUPPORT AND REVENUES		
Support:		
Grants and contracts	\$ <u>8,038,767</u>	\$ <u>7,350,048</u>
Total Support	<u>8,038,767</u>	<u>7,350,048</u>
Revenue:		
Health care services, net of charity, bad debts and contractual adjustments of \$5,290,874	11,733,307	9,483,280
340B income (net of expenses of \$4,619,111)	11,200,282	12,518,193
Net unrealized gains on investments	195,536	-
Interest income	241,546	65,986
Other income	<u>4,321,502</u>	<u>442,839</u>
Total Revenue	<u>27,692,173</u>	<u>22,510,298</u>
TOTAL SUPPORT AND REVENUES	<u>35,730,940</u>	<u>29,860,346</u>
EXPENSES		
Program Services		
Health care services	19,500,381	16,007,965
Community services	<u>815,859</u>	<u>885,448</u>
Total Program Services	<u>20,316,240</u>	<u>16,893,413</u>
Supporting Services		
Management and general	12,421,624	10,362,543
Unrealized losses on investments	<u>-</u>	<u>269,658</u>
Total Supporting Services	<u>12,421,624</u>	<u>10,632,201</u>
TOTAL EXPENSES AND LOSSES	<u>32,737,864</u>	<u>27,525,614</u>
Change in Net Assets	2,993,076	2,334,732
Net Assets, Beginning of Year	20,667,779	18,333,046
Prior period adjustment	<u>(17,702)</u>	<u>-</u>
Net Assets, as restated	<u>20,650,077</u>	<u>18,333,046</u>
NET ASSETS, END OF YEAR	<u>\$ 23,643,153</u>	<u>\$ 20,667,778</u>

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

EXHIBIT III

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Summarized Financial Information for 2022)

	Health Care Services	Community Services	Total Program Services	Management and General	2023 Total Expenses	2022 Total Expenses
Personnel	\$ 6,388,689	560,302	6,948,991	4,998,757	\$ 11,947,748	\$ 11,275,873
Fringe benefits	1,308,203	129,016	1,437,219	1,973,676	3,410,895	3,055,256
Travel	30,718	689	31,407	53,350	84,757	179,395
Supplies	805,688	15,792	821,480	160,776	982,256	1,184,271
Equipment rental	56,489	2,035	58,524	146,631	205,155	333,997
Contractual	8,812,724	6,188	8,818,912	1,620,685	10,439,597	5,784,707
Equipment expense	117,855	-	117,855	118,009	235,864	266,849
Legal and accounting	-	-	-	173,143	173,143	158,500
Dues and subscriptions	126,206	-	126,206	137,387	263,593	193,401
Utilities	160,184	5,704	165,888	34,815	200,703	216,298
Printing	15,032	-	15,032	18,609	33,641	27,810
Repairs and maintenance	14,161	17,583	31,744	16,279	48,023	398,960
Property taxes	-	-	-	127	127	3,830
Insurance	34,222	4,129	38,351	139,344	177,695	165,012
Staff recruitment	668	-	668	512,659	513,327	248,829
Advertisement	3,304	-	3,304	1,021,018	1,024,322	960,622
Security	46,115	20,804	66,919	241,968	308,887	289,813
Continuing education	171,542	-	171,542	46,258	217,800	183,163
Communications	205,563	18,850	224,413	186,904	411,317	376,316
Licenses and fees	100,858	2,237	103,095	22,907	126,002	75,395
Janitorial	6,366	-	6,366	31,453	37,819	22,150
Space cost	225,503	12,000	237,503	3,216	240,719	261,001
Interest	11,685	5,915	17,600	47,310	64,910	80,620
Bank charges	41,628	-	41,628	71,422	113,050	75,268
Contributions	-	-	-	349,083	349,083	504,788
Moving expenses	-	-	-	-	-	900
Transportation expenses	134,122	-	134,122	-	134,122	55,188
Board expenses	-	-	-	6,420	6,420	17,364
Disposal services	36,542	1,368	37,910	8,360	46,270	40,910
Other	<u>70,164</u>	<u>1,468</u>	<u>71,632</u>	<u>222,177</u>	<u>293,809</u>	<u>306,234</u>
Total expenses before depreciation	18,924,231	804,080	19,728,311	12,362,743	32,091,054	26,742,720
Depreciation	<u>576,150</u>	<u>11,779</u>	<u>587,929</u>	<u>58,881</u>	<u>646,810</u>	<u>513,236</u>
Total Expenses	<u>\$ 19,500,381</u>	<u>815,859</u>	<u>20,316,240</u>	<u>12,421,624</u>	<u>\$ 32,737,864</u>	<u>\$ 27,255,956</u>

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

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Statement of Cash Flows
For the Year Ended December 31, 2023
(With Summarized Financial Information for 2022)

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:

	<u>2023</u>	<u>2022</u>
Changes in Net Assets	\$ 2,993,076	\$ 2,334,732
Adjustments to reconcile changes in assets to net cash provided by (used in) operating activities:		
Depreciation expense	646,810	513,236
Unrealized loss on investments	(207,261)	269,657
Prior period adjustment	(17,702)	-
Decrease (increase) in:		
Patient care receivables	(368,474)	(416,894)
Grants and contracts receivable	138,100	186,699
Deposits	103,087	(70,197)
Increase (decrease) in:		
Accounts payable	(1,059,338)	1,540,800
Accrued salaries payable	(215,818)	48,887
Payroll taxes payable	3,363	11,421
Contribution payable	(240,000)	(115,000)
Retirement payable	(12,093)	1,218
Other liabilities	68,452	53,588
Accrued annual leave	45,112	(4,721)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,877,314</u>	<u>4,353,426</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	<u>(3,123,364)</u>	<u>(4,418,836)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(3,123,364)</u>	<u>(4,418,836)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in short and long-term notes payable	(181,303)	(217,686)
Payments on collateral split interest obligation	(2,173,581)	-
Repayments of line of credit	<u>-</u>	<u>(548,638)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(2,354,884)</u>	<u>(766,324)</u>
NET increase (DECREASE) IN CASH	(3,600,934)	(831,734)
Cash and cash equivalents, BEGINNING OF YEAR	<u>7,806,988</u>	<u>8,638,722</u>
Cash and cash equivalents END OF YEAR	<u>\$ 4,206,054</u>	<u>\$ 7,806,988</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 64,910</u>	<u>\$ 80,620</u>

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

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 1 - ABOUT THE ORGANIZATION

Capitol City Family Health Center, Inc. D/B/A Care South, a non-profit corporation, was incorporated in the State of Louisiana as of December 8, 1997. The primary purpose of the Corporation is to deliver primary health services to individuals and families.

The fiscal year of Capitol City Family Health Center, Inc. D/B/A Care South is January 1 to December 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Capitol City Family Health Center, Inc. D/B/A Care South, are presented on the accrual basis of accounting.
- B. Basis of Presentation - The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition the Organization is required to present a statement of functional expenses.
- C. 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.
- D. 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 Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. There is no donated property or equipment.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification 958, 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. The Organization has not recognized donated services as there is no means to objectively value such services.
- F. Functional Allocation of Expenses - The cost of program and supporting services activities have been summarized on a functional basis in the statement of operations. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Property, furniture, equipment, and buildings are depreciated over their useful lives ranging from 5 to 40 years.
- The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.
- I. 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 restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Operations 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.
- J. Employees' Annual Leave - Care South, Inc. charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Net Patient Service Revenues and Provision for Bad Debt - Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors, and others for services rendered, including estimated retroactive and prospective adjustments under reimbursements agreements with third-party payors. Third-party payors retain the right to review and propose adjustments to amounts reported by Organization. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization grants credit without collateral to patients, most of whom are local residents and are insured under thirty-party payor agreements. Additions to the allowance for credit losses are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance. The amount of the provision for bad debt is based upon management's assessment of historical expected net collections, business and economic conditions, trends in Federal and state governmental health care coverage, and other collection indicators. Services rendered to individuals when payment is expected and ultimately not received are written off to the allowance for doubtful accounts.

- M. Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.
- N. Allowance for Credit Losses - The Organization provides an allowance for credit losses 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.
- O. Classification of Net Assets - Net Assets of Capitol City Family Health Center, Inc. D/B/A Care South are classified based on the presence or absence of donor-imposed restrictions. Net Assets are comprised of two groups as follows:
- a) Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
 - b) Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may need to be maintained in perpetuity.

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Organization's financial instruments, none of which are held for trading purposes, are as follows:

	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	\$ 4,206,054	\$ 4,206,054
	Carrying Amount	Fair Value
Financial liabilities:		
Notes payable	\$ 1,360,308	\$ 1,360,308

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS
OF INSURED LIMITS

The Organization maintains its cash balances in four (4) financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2023, the Organization had an uninsured cash balance of \$3,233,977.

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Center uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

The following is a summary of investments at December 31, 2023:

Brokerage investments	\$ 1,698,140
Total	<u>\$ 1,698,140</u>

As of December 31, 2023, all investments were considered level 1 investments.

NOTE 6 - LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds.

The following table reflects the Organization's financial assets as of December 31, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions at December 31, 2023.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 6 - LIQUIDITY AND AVAILABILITY (Continued)

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2023
Cash and cash equivalents	\$ 4,206,054
Patient receivables, net	1,502,568
Investments	1,698,140
Grants Receivable	260,687
Other Receivable	<u>2,178,581</u>
Total financial assets	<u>9,846,030</u>
Investments with liquidity horizons greater than one year	(1,698,140)
Other receivable	<u>(2,178,581)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,969,309</u>

NOTE 7 - PATIENT CARE RECEIVABLES AND RELATED ALLOWANCE FOR CREDIT LOSSES

Patient accounts receivable, prior to adjustment for the allowance for credit losses, is summarized as follows at December 31, 2023:

Accounts receivable:	Amount
Patients	\$ 664,434
Government	1,608,630
Other	<u>1,223,957</u>
	<u>\$ 3,497,021</u>

Allowance for credit losses is summarized as follows at December 31, 2023

Allowance :	Amount
Patients	\$ 206,928
All Other	<u>1,787,525</u>
	<u>\$ 1,994,453</u>

NOTE 8 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at December 31, 2023:

Patient Service Revenue	Amount
Patient Service Revenue	\$ 17,024,181
Less: Contractual adjustment under third-party reimbursement program and discounts	<u>(5,290,874)</u>
Net Patient Service Revenue	<u>\$ 11,733,307</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 9 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation at December 31, 2023:

Assets	
Land	\$ 870,348
Building and Improvements	17,164,906
Construction In Progress	1,848,069
Furniture and Equipment	<u>3,996,068</u>
Total Property and Equipment	23,879,391
Less: Accumulated Depreciation	<u>(5,614,722)</u>
Net Property and Equipment	<u>\$ 18,264,669</u>

Depreciation expense was \$646,810 for the year ended December 31, 2023.

NOTE 10 - CORPORATE INCOME TAXES

The Organization is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes. Therefore, no provision has been made for Federal or state corporate income taxes in the accompanying financial statements.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2020, 2021, and 2022 are subject to examination by the federal, state, and local taxing authorities, generally for three years after they are filed.

NOTE 11 - RETIREMENT PLAN

The Organization has a 401k plan for all eligible employees. To be eligible, an employee must be employed with the Corporation for at least one year and must be at least eighteen years of age. For the year ended December 31, 2023, the plan was properly funded. Retirement expense recognized was \$233,076 for the year ended December 31, 2023.

NOTE 12 - ANNUAL LEAVE

The cost of employee's unused annual leave at December 31, 2023, in the amount of \$304,896 is included in the financial statements. See Note 2.J. above.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 13 - SUMMARY OF FUNDING AND SUPPORT

Capitol City Family Health Center, Inc. D/B/A Care South's operations are funded primarily through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Dept. of HHS (Health Center Cluster)	H80CS00504	1/1/2023-12/31/2023	\$ 3,537,429
U.S. Dept. of HHS (American Rescue Plan)	H8LCS51015	1/1/2023-12/31/2023	\$ 1,172,696
U.S. Dept. of HHS (Infrastructure Support)	C8ECS44661	1/1/2023-12/31/2023	\$ 662,426
U.S. Dept. of HHS COVID-19 Grants	H8GCS48347	1/1/2023-12/31/2023	213,003
U.S. Dept. of HHS (Ryan White Title III Early Intervention)	H76HA00817	1/1/2023-12/31/2023	360,521
U.S. Dept. of HHS (Ryan White Title III Early Intervention - COVID-19 Grants)		1/1/2023-12/31/2023	108,170
Other Grants	N/A	1/1/2023-12/31/2023	8,495
State of Louisiana Dept of Public Health - HIV Health Models Grant	N/A	1/1/2023-12/31/2023	239,064
City of Baton Rouge (Minority Aids Initiative)	N/A	1/1/2023-12/31/2023	127,909
Ryan White Part A HIV Emergency Relief Grant	N/A	1/1/2023-12/31/2023	780,334
Louisiana State Department of Health (WIC Grant)	654775	1/1/2023-12/31/2023	828,720
TOTALS			<u>\$ 8,038,767</u>

NOTE 14 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable at December 31, 2023 are due from the following:

State of Louisiana Department of Health (WIC Program)	\$ 65,775
City of Baton Rouge (Ryan White Part A)	94,166
State of Louisiana Dept of Public Health (HIV Health Model Grant)	55,970
City of Baton Rouge (End of HIV Epidemic Grant)	21,306
City of Baton Rouge (Minority Aids Initiative)	23,470
Totals	<u>\$ 260,687</u>

NOTE 15 - GOODWILL

In March 2017, Capitol City Family Health Center, Inc. D/B/A Care South acquired assets of a Behavioral Health practice in which \$210,000 was goodwill. The Organization has adopted ASC 350 "Goodwill and Other Intangible Assets." That statement requires the Organization to evaluate the goodwill on an annual basis for potential impairment.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 16 - NOTES PAYABLE

Notes payable consist of the following at December 31, 2023:

Note payable to RiverWest Medical Center Properties; interest stated at 3.5%; due in monthly installments of \$8,942 which includes principal and interest; matures August 1, 2024; secured by real estate.	\$ 62,834
Note payable to Capital One Bank; interest stated at 5.25%; due in monthly installments of \$5,097 which includes principal and interest; matures November 14, 2028; secured by real estate.	496,328
Note payable to Southeast Louisiana AHEC; interest stated at 4.25%; due in monthly installments of \$2,107 which includes principal and interest; matures August 1, 2027; secured by real estate.	262,439
Note payable to Southeast Louisiana AHEC; interest stated at 4.75%; due in monthly installments of \$2,792 which includes principal and interest; matures October 1, 2027; secured by real estate.	341,209
Note payable to Southeast Louisiana AHEC; interest stated at 4.75%; due in monthly installments of \$1,511 which includes principal and interest; matures July 15, 2029; secured by real estate.	<u>197,499</u>
TOTALS	1,360,309
Less: current portion	(132,848)
Total Long-Term Debt	<u>\$ 1,227,461</u>

Maturities of long-term debt are as follows:

	Principal	Interest	TOTAL
2024	\$ 132,848	\$ 68,983	\$ 201,831
2025	73,490	64,577	138,067
2026	77,140	60,927	138,067
2027	546,841	52,094	598,935
2028	381,274	30,764	412,038
Thereafter	<u>148,716</u>	<u>4,092</u>	<u>152,808</u>
Totals	<u>\$1,360,309</u>	<u>\$ 281,437</u>	<u>\$1,641,746</u>

NOTE 17 - LINE OF CREDIT

Capitol City Family Health Center, Inc. D/B/A Care South has in place a line of credit agreement with B1 Bank for \$1,500,000. The line of credit has a rate of 3.00%. As of December 31, 2023, there is no balance outstanding on the line.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 18 - LITIGATION

Capitol City Family Health Center, Inc. D/B/A Care South maintains general liability, property, managed care professional liability, directors and officers and other insurance coverage in amounts management considers to be adequate. The Organization requires contracting healthcare providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, Capitol City Family Health Center, Inc. D/B/A Care South is a party to claims and legal actions by enrollees, providers, and others. After consulting with legal counsel, the Organization is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of Capitol City Family Health Center, Inc. D/B/A Care South.

NOTE 19 - ADVERTISING

Capitol City Family Health Center, Inc. D/B/A Care South uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending December 31, 2023, advertising cost totaled \$1,022,173.

NOTE 20 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 20% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 21 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

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 audit 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 Uniform Guidance. 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.

NOTE 22 - CONSTRUCTION IN PROGRESS

As of December 31, 2023, the organization had construction projects in various stages of completion and had the following activity:

Description of Project	Balance 12/31/2023	Additions	Reclassifications	Balance 12/31/2023	Estimated Cost to Complete
Building Improvements	<u>2,525,654</u>	<u>2,492,015</u>	<u>(3,169,600)</u>	<u>1,848,069</u>	\$ <u>677,585</u>
TOTALS	<u>2,525,654</u>	<u>2,492,015</u>	<u>(3,169,600)</u>	<u>1,848,069</u>	\$ <u>677,585</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 23 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

NOTE 24 - RELATED PARTY TRANSACTIONS

During 2019, the CEO acknowledged losing a cashier's check in the amount of \$36,000 withdrawn from the Center's savings account to be deposited into the Center's operating account as part of a transfer. A promissory note was executed between the Center and the CEO where he agreed to pay \$5,000 quarterly, effective 3/1/2020, until the balance is paid in full. The balance was paid in full at December 31, 2023.

NOTE 25 - COMMITMENTS

During 2020, the Organization entered into a 5 year contribution agreement with Southern University in Baton Rouge. The funds will be used by Southern University to fund the Care South/SU Employee Wellness Clinic, the SU College of Nursing and Allied Health Scholarship Fund, SU Athletics, the SU Human Jukebox and the Valdry Center for Philanthropy. The total commitment was \$1,413,000. \$115,000 was paid for the year ended December 31, 2023, with the remainder of \$240,000 payable over the next 3 years as follows:

2024	\$	265,000
2025		<u>240,000</u>
TOTALS	\$	<u><u>505,000</u></u>

NOTE 26 - LEASES

The clinic leases facilities under a long-term non-cancelable operating lease arrangement. The lease expires in 2024. An operating lease provides for increases in future minimum annual rental payments. Operating leases with a term of 12 months or less are not recorded on the statement of financial position.

Total right-of-use assets and lease liabilities at December 31, 2023, are as follows:

Lease Assets - Classification in Statement of Financial Position

Operating lease right-of-use	\$	<u>99,309</u>
Total leased right-of-use assets	\$	<u><u>99,309</u></u>

Lease Liabilities - Classification in Statement of Financial Position

Operating lease liabilities	\$	<u>99,309</u>
Total leased liabilities	\$	<u><u>99,309</u></u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2023

NOTE 26 - LEASES (Continued)

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

Years Ending December 31,	Operating Amount
2024	\$ <u>102,286</u>
Total lease payments	102,286
Less imputed interest	<u>(2,977)</u>
Present value of liability	\$ <u><u>99,309</u></u>

NOTE 27 - COLLATERAL SPLIT DOLLAR LIFE INSURANCE AGREEMENTS

During 2023, the organization entered into an agreement and granted a loan to fund life insurance premium payments for the chief executive officer. The loan was recorded based on the collateral assignment method whereby the chief executive officer owns the life insurance policy and assigns the policy collateral back to the organization with an executed promissory note. All of the life insurance policy premiums are paid out of proceeds from the loan. The note receivable and accrued interest of approximately \$2,178,581 is included other assets in the statement of financial position as of December 31, 2023.

NOTE 28 - EMPLOYEE RETENTION CREDIT

The Organization is eligible for the Employee Retention Credit (ERC) under the CARES Act. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit is now equal to 70% of the first \$10,000 in qualified wages paid to employees during a quarter. The condition under which the Organization is eligible is based on a full or partial suspension of operations for the 1st, 2nd and 3rd calendar quarters of 2021. The Organization determined that the conditions to qualify for the employee retention credit have been substantially met. The Organization has received \$2,921,339, which is included on the statement of activities as other income for the year ended December 31, 2023.

NOTE 29 - SUBSEQUENT EVENTS

Events that occur after the Statement of Financial Position 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 Capitol City Family Health Center, Inc. D/B/A Care South evaluated the activity of the Center through June 26, 2024.

SUPPLEMENTARY INFORMATION

SCHEDULE A

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer
 For the Year Ended December 31, 2023

Louisiana Revised Statute (R.S.) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statement of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

No compensation paid from public funds

Agency Head: Matthew Valliere

<u>Category</u>	<u>Amount</u>	<u>Total</u>
Salary	\$ -	
Incentive pay	-	
Total salary	-	\$ -
Benefits:		
Health insurance	-	
FICA/Medicare	-	
Retirement	-	
Total benefits	-	-
Travel:		
Conference registration	-	
Airfare and lodging	-	
Per diem and incidentals	-	
Vehicle allowance	-	
Total travel	-	-
Total Compensation, Benefits, Travel, and Other Expenses		\$ -

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grant/ Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
<u>Health Resource & Service Administration</u>			
<u>Bureau of Primary Health Care</u>			
Direct Grants:			
Health Centers Cluster			
Consolidated Health Centers	93.224	H80CS00504	\$ 1,212,716
American Rescue Plan Funding for Health Centers	93.224	H8GCS48347	1,172,696
Expanding COVID-19 Vaccinations	93.527	H8FCS41521	213,003
Affordable Care Act Grants for New and Expanded Services Under the Health Care Program	93.527	H80CS00504	<u>2,324,713</u>
Total Health Centers Cluster			<u>4,923,128</u>
 Ryan White Part C Outpatient EIS Program	 93.918	 H76HA00817	 <u>360,521</u>
Total Ryan White Part C Outpatient EIS Program			<u>360,521</u>
 Health Center Infrastructure Support	 93.526	 C8ECS44661	 <u>662,426</u>
<u>Pass Through City of Baton Rouge, Louisiana</u>			
Ryan White Part A HIV Emergency Relief Grant	93.914	N/A	<u>780,334</u>
<u>Pass Through State of Louisiana Office of Public Health</u>			
HIV Health Models Grant	93.940	9711938001	<u>239,064</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>6,965,473</u>
<u>U. S. Department of Agriculture</u>			
<u>Pass Through Louisiana State Dept. of Health and Hospitals</u>			
Special Supplement Food Program for Women, Infants and Children	10.557	718943	<u>828,720</u>
TOTAL FEDERAL AWARDS			<u>\$ 7,794,193</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Capitol City Family Health Center, Inc. D/B/A Care South under programs of the federal government for the year ended December 31, 2023. The information in this Schedule 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). Because the Schedule presents only a selected portion of the operations of Capitol City Family Health Center, Inc. D/B/A Care South, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Capitol City Family Health Center, Inc. D/B/A Care South.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

INDIRECT COST RATE

Capitol City Family Health Center, Inc. D/B/A Care South does not use an indirect cost rate and therefore has elected not to use the 10-percent *de minimis* 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 of
Capitol City Family Health Center, Inc. D/B/A Care South
Baton Rouge, Louisiana

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 Capitol City Family Health Center, Inc. D/B/A Care South (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of operations and changes in net assets, 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 June 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capitol City Family Health Center, Inc. D/B/A Care South's internal control over financial reporting (internal control) as a basis for designing 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 Capitol City Family Health Center, Inc. D/B/A Care South's internal control. Accordingly, we do not express an opinion on the effectiveness of Capitol City Family Health Center, Inc. D/B/A Care South's internal control.

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

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

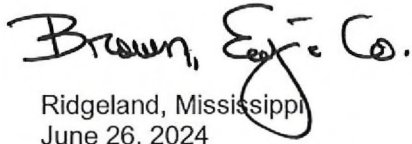
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capitol City Family Health Center, Inc. D/B/A Care South'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*.

We noted certain matters that we reported to the management of Capitol City Family Health Center, Inc. D/B/A Care South in a separate letter dated June 26, 2024.

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.


Ridgeland, Mississippi
June 26, 2024



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 of
Capitol City Family Health Center, Inc. D/B/A Care South
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Capitol City Family Health Center, Inc. D/B/A Care South's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Capitol City Family Health Center, Inc. D/B/A Care South's major federal programs for the year ended December 31, 2023. Capitol City Family Health Center, Inc. D/B/A Care South's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Capitol City Family Health Center, Inc. D/B/A Care South complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Capitol City Family Health Center, Inc. D/B/A Care South and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Capitol City Family Health Center, Inc. D/B/A Care South's compliance with the compliance

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Capitol City Family Health Center, Inc. D/B/A Care South's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Capitol City Family Health Center, Inc. D/B/A Care South's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Capitol City Family Health Center, Inc. D/B/A Care South's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Capitol City Family Health Center, Inc. D/B/A Care South's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of 's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Capitol City Family Health Center, Inc. D/B/A Care South's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

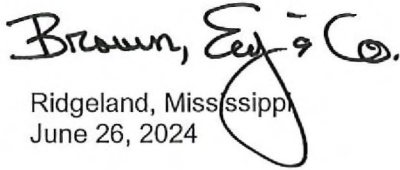
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Brown, E. J. & Co.
Ridgeland, Mississippi
June 26, 2024

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Summary Schedule of Prior Audit Findings
Year End December 31, 2023

There were no findings for the year ending December 31, 2022.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2023

Section 1: Summary of Auditor's Results

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements. | Unmodified |
| 2. | Material noncompliance relating to the financial statements. | None Reported |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |

- | | | |
|----|---|----|
| 6. | Any audit findings reported as required to be reported in accordance with 2 CFR Section 200.516 (a) | No |
|----|---|----|

7. Federal programs identified as major programs:

HEALTH CENTERS CLUSTER	
Consolidated Health Centers	CFDA #93.224
Affordable Care Act Grants for New and Expanded Services Under Health Care Program	CFDA #93.527
Ryan White Part A HIV Emergency Relief Grant	CFDA #93.914
Special Supplement Food Program for Women, Infants and Children	CFDA #10.557

- | | | |
|----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and Type B programs: | \$750,000 |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2: Findings - Financial Statements Audit

NONE

Section 3: Findings and Questioned Costs - Major Federal Award Program Audit

NONE

**CAPITOL CITY FAMILY HEALTH CENTER, INC.
D/B/A CARE SOUTH**

MANAGEMENT LETTER

FOR THE YEAR ENDED DECEMBER 31, 2023



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Capitol City Family Health Center, Inc. D/B/A Care South
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of Capitol City Family Health Center, Inc. D/B/A Care South, for the year ended December 31, 2023, 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, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated June 26, 2024 on the financial statements of Capitol City Family Health Center, Inc. D/B/A Care South.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

ACCOUNTS PAYABLE RECONCILED TO THE GENERAL LEDGER

Our testing in the area of accounts payable disclosed that monthly reconciliations between the balance in the general ledger and the subsidiary ledger are not being performed. The lack of this control feature allows for differences to occur and accumulate over a period of time. Ultimately, the determination of the actual payables balance is virtually impossible without a significant time investment in a lengthy reconciliation process.

Recommendation

In order to maintain proper control over accounts payable, we suggest that the subsidiary ledger be reconciled with the balance in the general ledger at the end of every month. If any differences exist, they should be investigated and resolved promptly. These procedures will ensure that the balance in the general ledger reflects the accurate accounts payable balance supported by the subsidiary ledger.

Management Response

The Accounting department will put a process in place to reconcile the accounts payable subsidiary ledger with the balance in the general ledger. This task will be carried out by the accounting staff participating in the monthly closing process.

BANK RECONCILIATION DIFFERENCES

During our test of bank reconciliations, we noted some reconciling items that were not corrected in a timely manner.

Recommendation

We recommend that bank accounts be reconciled and all differences between book and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.

Management Response

The Accounting department will void any stale-dated checks on time to avoid timing differences and reconcile the bank statements with the general ledger monthly. All errors and adjustments will be promptly investigated and corrected.

INTERIM ANALYSIS OF ACCOUNTS

While conducting our audit, we noted that there is not a formal review process of accounting transactions and interim analysis of general ledger accounts. As a result, posting errors were discovered that required adjustments.

Recommendation

We strongly recommend that the organization develop a review process of accounting transactions that also includes an interim analysis of general ledger accounts. This will help to reduce errors within the accounting records, reduce journal entries that may be required at year end and provide better efficiency within the accounting function.

Management Response

The accounting department will enhance its existing accounting transaction and interim analysis review process to reduce year-end posting errors and journal entries in the general ledger.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Braun, Eyr & Co.

June 26, 2024

CAPITOL CITY FAMILY HEALTH CENTER, INC.
D/B/A
CARE SOUTH

AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023



INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Capitol City Family Health Center, Inc. D/B/A Care South
Baton Rouge, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. Capitol City Family Health Center, Inc. D/B/A Care South's management is responsible for those C/C areas identified in the SAUPs.

Capitol City Family Health Center, Inc. D/B/A Care South has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exceptions were found as a result of this procedure.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document.
 - b) Observe whether the board/finance committee received written updates of the progress of resolving audit findings, according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exceptions were found as a result of these procedures.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include written evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

We selected the November 2023 bank reconciliations to review. We noted that all selected bank account reconciliations were prepared within 2 months of the closing date and there were no reconciling items that were outstanding more than 12 months from the statement date. The bank reconciliations also included evidence that they were reviewed by management who does not handle cash, post ledgers, or issue checks.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

We obtained a list of four deposit sites from management's (along with management's representation that the list is complete).

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

For each deposit site, there is one collection location. We obtained a list of four collection locations from management (along with management's representation that the list is complete) and we selected the four collection locations.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

We obtained and inspected the Center's written policies and procedures and verified that the front desk staff are responsible for collecting patient fees and should verify that their own cash drawer funds are balanced at least twice each day.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

We obtained and inspected the Center's written policies and procedures and verified that the front desk staff (employee responsible for collecting cash) is not the same person preparing/making bank deposits (who is the Site Manager).

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

We obtained and inspected the Center's written policies and procedures and verified the front desk staff (employee(s) responsible for collecting cash) is not the same person posting collection entries to the general ledger or subsidiary ledgers (who is the Accounts Receivable Staff).

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

We obtained and inspected the Center's written policies and procedures and verified that the front desk staff (employee(s) responsible for collecting cash) is not the same employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers (who is the Accounting Analyst I).

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

No exceptions were found as a result of this procedure.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Receipts were printed electronically from the billing system. We haphazardly selected two deposit dates for the five selected bank accounts.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions were found as a result of this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions were found as a result of this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exceptions were found as a result of this procedure.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of this procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Management provided the requested information, along with management's representation that the listing is complete. There was only one location.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

During observation, there were at least two employees involved in initiating a purchase request (Requestor), approving a purchase (Procurement Officer), and placing an order/making the purchase (Procurement Officer).

- b) At least two employees are involved in processing and approving payments to vendors.

During observation, there were at least two employees involved in processing (Accounting Manager) and approving payments to vendors (CFO/CEO).

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

During observation, the employee responsible for processing payments (Accounting Manager) is not the same employee adding/modifying vendor files (CFO).

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

During observation, the employee/official responsible for signing checks (CEO/Board Member) gives the payment to an employee to mail the payment (Accounts Payable Clerk) is not responsible for processing payments (Accounting Manager).

- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Inquiries were made with the CFO and it was determined that only the CEO and designated Board members approve electronic disbursements and the release of funds via ACH or EFT means.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

No exceptions were found as a result of this procedure.

- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions were found as a result of this procedure.

11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exceptions were found as a result of this procedure.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided a listing of all active credit/debit/fuel cards for FY23, including the card numbers and the names of the persons who maintained possession of the cards. Management also represented that the listing was complete.

13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

During our testing of the selected monthly statements/combined statements, we noted that monthly statements were reviewed and approved, in writing, by someone other than the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Per review of the monthly statements, there were no finance charges or late fees assessed on the cards selected for testing.

14. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions were found as a result of this procedure.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Management provided a listing of all travel and travel-related expense reimbursements for FY23. Management also represented that the listing was complete.

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions were found as a result of this procedure.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions were found as a result of this procedure.

- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions were found as a result of this procedure.

- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were found as a result of this procedure.

Contracts

16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Management provided a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Management also represented that the listing was complete.

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Management did not adopt neither the LA Public Bid Law nor the LA Procurement Code. Therefore, not required by law to follow.

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Management provided documentation that contracts were approved by the governing board.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

During our review of contracts, we noted there were no contracts that were amended.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of this procedure.

Payroll and Personnel

17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Management provided a listing of all employees and officials employed during the fiscal period. Management also represented that the listing was complete.

18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #17 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions were found as a result of this procedure.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

No exceptions were found as a result of this procedure.

- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions were found as a result of this procedure.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions were found as a result of this procedure.

- 19. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

No exceptions were found as a result of this procedure.

- 20. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

The CEO confirmed that the employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Fraud Notice

- 21. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

During inquiry, management is not aware of any misappropriations of public funds and assets during the fiscal period.

22. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We observed the entity had posted on its premises that were visited, and on their website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Information Technology Disaster Recovery/Business Continuity

23. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedure and discussed the results with management. No exceptions were found as a result of this procedure.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management. No exceptions were found as a result of this procedure.

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management. No exceptions were found as a result of this procedure.

24. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the procedure and discussed the results with management. All terminated employees have been removed or disabled from the network. No exceptions were found as a result of this procedure.

25. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 - completed the training; and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

No employees have received cybersecurity training

Management's Response

The Cybersecurity Training course has been assigned to all staff and must be completed by October 31, 2024. It will be included in the orientation compliance training plan for all new employees and must be completed before their second week. After completion, employees will be released to their respective departments for onboarding.

We were engaged by Capitol City Family Health Center, Inc. D/B/A Care South to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Capitol City Family Health Center, Inc. D/B/A Care South and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Brown, Egger & Co.

Ridgeland, Mississippi
June 26, 2024