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**CAPITOL CITY FAMILY HEALTH  
CENTER, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2007  
(With Summarized Financial  
Information for 2006)**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

8/6/08

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
 December 31, 2007  
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**BANKS, FINLEY,  
WHITE & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Capitol City Family Health Center, Inc.  
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of Capitol City Family Health Center, Inc. (a nonprofit organization) as of December 31, 2007, and the related statement of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2006 financial statements and, in our report dated April 6, 2007, we expressed an *unqualified opinion* on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capitol City Family Health Center, Inc., as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2008, on our consideration of the organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Capitol City Family Health Center, Inc., taken as a whole. The schedules on pages 14 through 18 are presented for purposes of additional analysis and are not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Banks, Finley, White & Co.*  
June 6, 2008

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Statement of Financial Position  
December 31, 2007  
(With Summarized Financial Information for 2006)

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash	\$ 785,931	\$ 231,721
Certificate of deposit	55,077	52,001
Patient care receivables, less allowance of \$88,730 for doubtful accounts	211,657	120,704
Grants and contracts receivable (Note 11)	473,522	106,545
Accrued interest receivable	373	666
Prepaid expenses	<u>6,815</u>	<u>6,232</u>
Total Current Assets	<u>1,533,375</u>	<u>517,869</u>
Fixed Assets:		
Land	359,951	360,067
Building	3,355,863	-
Construction In Process	-	140,621
Furniture and equipment	779,020	659,484
Less: Accumulated depreciation	<u>(580,348)</u>	<u>(494,680)</u>
Net Fixed Assets	<u>3,914,486</u>	<u>665,492</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,447,861</u></b>	<b><u>\$ 1,183,361</u></b>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 615,319	\$ 12,533
Salaries payable	26,419	19,939
Payroll taxes payable	13,536	-
Accrued annual leave	31,041	24,762
Refundable advance (Note 17)	144,055	131,952
Retainage payable	148,007	-
Short-term notes payable (Note 13)	<u>1,400,000</u>	<u>-</u>
Total Current Liabilities:	<u>2,378,377</u>	<u>189,186</u>
Total Liabilities	<u>2,378,377</u>	<u>189,186</u>
Net Assets:		
Unrestricted		
Undesignated (operating)	554,398	328,682
Fixed assets	<u>2,515,086</u>	<u>665,493</u>
Total Net Assets	<u>3,069,484</u>	<u>994,175</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,447,861</u></b>	<b><u>\$ 1,183,361</u></b>

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

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Statement of Activities  
For the Year Ended December 31, 2007  
(With Summarized Financial Information for 2006)

	<u>CURRENT UNRESTRICTED</u>		<u>2007</u>	<u>2006</u>
	<u>Operations</u>	<u>Fixed Assets</u>		
<b>SUPPORT AND REVENUES (Note 2)</b>				
Support:				
Grants and contracts	\$ 3,659,786	-	\$ 3,659,786	\$ 1,800,703
Total Support	<u>3,659,786</u>	<u>-</u>	<u>3,659,786</u>	<u>1,800,703</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$742,716	1,292,771	-	1,292,771	1,201,705
Rental income	-	-	-	7,925
Interest income	2,784	-	2,784	2,011
Other income	8,847	-	8,847	3,305
Total Revenue	<u>1,304,402</u>	<u>-</u>	<u>1,304,402</u>	<u>1,214,946</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>4,964,188</u>	<u>-</u>	<u>4,964,188</u>	<u>3,015,649</u>
<b>EXPENSES</b>				
Program Services				
Health care services	850,231	-	850,231	1,179,242
Community services	803,981	-	803,981	724,429
Total Program Services	<u>1,654,212</u>	<u>-</u>	<u>1,654,212</u>	<u>1,903,671</u>
Supporting Services				
Management and general	1,149,483	85,184	1,234,667	885,258
Total Supporting Services	<u>1,149,483</u>	<u>85,184</u>	<u>1,234,667</u>	<u>885,258</u>
<b>TOTAL EXPENSES</b>	<u>2,803,695</u>	<u>85,184</u>	<u>2,888,879</u>	<u>2,788,929</u>
Change in Net Assets	2,160,493	(85,184)	2,075,309	226,720
Net Assets, Beginning of Year	328,682	665,493	994,175	767,455
Other changes in Net assets				
Proceeds from construction loan	1,400,000	(1,400,000)	-	-
Acquisition of fixed assets	<u>(3,334,777)</u>	<u>3,334,777</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 554,398</u>	<u>2,515,086</u>	<u>\$ 3,069,484</u>	<u>\$ 994,175</u>

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

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2007  
(With Summarized Financial Information for 2006)

## CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:

	<u>2007</u>	<u>2006</u>
Changes in Net Assets	\$ 2,075,309	\$ 226,720
Adjustments to reconcile changes in assets to net cash provided by(used in) operating activities:		
Depreciation expense	85,669	89,044
Decrease (increase) in:		
Patient care receivables	(90,952)	63,252
Grants and contracts receivable	(366,977)	(87,693)
Accrued interest receivable	292	(11)
Prepaid expenses	(583)	483
Increase (decrease) in:		
Accounts payable	602,787	(25,395)
Accrued salaries payable	6,480	(5,630)
Payroll taxes payable	13,705	(16,039)
Refundable advances	12,104	110,119
Retainage payable	148,007	-
Other liabilities	(173)	-
Accrued annual leave	6,280	(12,051)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,491,948</u>	<u>342,799</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(50,000)
Maturity of investments	(3,076)	(2,001)
Acquisition of fixed assets	(3,334,662)	(505,780)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(3,337,738)</u>	<u>(557,781)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from construction loan	<u>1,400,000</u>	-
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	<u>1,400,000</u>	-
NET INCREASE (DECREASE) IN CASH	554,210	(214,982)
CASH, BEGINNING OF YEAR	<u>231,721</u>	<u>446,703</u>
CASH, END OF YEAR	<u>\$ 785,931</u>	<u>\$ 231,721</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 48,835</u>	<u>\$ 3,836</u>

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

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
 Schedule of Functional Expenses  
 For the Year Ended December 31, 2007

	Health Care Services	Community Services	Total Program Services	Management and General	Total Expenses
Personnel	\$ 585,296	490,264	1,075,560	479,040	\$ 1,554,600
Fringe benefits	84,762	31,950	116,712	179,399	296,111
Travel	2,267	5,450	7,717	18,053	25,770
Supplies	52,741	67,288	120,029	79,718	199,747
Equipment rental	1,412	1,858	3,270	5,108	8,378
Contractual	77,096	173,918	251,014	68,887	319,901
Legal and accounting	-	-	-	127,161	127,161
Dues and subscriptions	-	-	-	16,183	16,183
Printing	616	1,211	1,827	4,430	6,257
Repairs and maintenance	8,141	6,479	14,620	41,713	56,333
Insurance	-	-	-	13,861	13,861
Staff recruitment	-	-	-	295	295
Advertisement	6,069	152	6,221	5,728	11,949
Security	-	-	-	2,546	2,546
Continuing education	1,145	41	1,186	6,309	7,495
Communications	7,928	6,826	14,754	4,561	19,315
Licenses and fees	400	-	400	3,603	4,003
Janitorial	8,190	4,260	12,450	(450)	12,000
Space cost	6,384	5,835	12,219	22,292	34,511
Interest	-	-	-	48,835	48,835
Bank charges	-	-	-	2,767	2,767
Moving expenses	-	8,220	8,220	9,540	17,760
Board expenses	-	-	-	8,929	8,929
Disposal services	7,495	-	7,495	-	7,495
Other	289	229	518	975	1,493
Total expenses before depreciation	<u>850,231</u>	<u>803,981</u>	<u>1,654,212</u>	<u>1,149,483</u>	<u>2,803,695</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,184</u>	<u>85,184</u>
Total Expenses	<u>\$ 850,231</u>	<u>803,981</u>	<u>1,654,212</u>	<u>1,234,667</u>	<u>\$ 2,888,879</u>

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

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Notes to the Financial Statements  
December 31, 2007

NOTE 1 - ABOUT THE ORGANIZATION

Capitol City Family Health Center, Inc. (CCFHC), 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 CCFHC 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., are presented on the accrual basis of accounting.
- B. Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- 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 temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.



CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Notes to the Financial Statements  
December 31, 2007

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 \$500 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 40 years.
- 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 temporarily or permanently 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - CCFHC 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. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.
- 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.

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.

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Notes to the Financial Statements  
December 31, 2007

NOTE 3 - FINANCIAL INSTRUMENTS (Continued)

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

Financial assets:	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 785,931	\$ 785,931
Certificate of Deposit	\$ 55,077	\$ 55,077
Financial liabilities:	<u>Carrying Amount</u>	<u>Fair Value</u>
Short-term notes payable	\$1,400,000	\$1,400,000

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

The Organization maintains its cash balances in two (2) financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, the Organization's uninsured cash balances total \$165,582.

NOTE 5 - PATIENT RECEIVABLES

The amount of net patient care receivable at December 31, 2007 was \$211,657. Management feels that the actual collectability of the accounts receivable from patients will be realized in the amount as shown in the statement of financial position.

NOTE 6 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation carried in the general property fund.

<u>Assets</u>	
Land	\$ 359,951
Building	3,355,863
Construction In Progress	-
Furniture and Equipment	<u>779,020</u>
Total Property and Equipment	4,494,834
Less: Accumulated Depreciation	<u>(580,348)</u>
Net Property and Equipment	<u>\$ 3,914,486</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Notes to the Financial Statements  
December 31, 2007

NOTE 7 - CORPORATE INCOME TAXES

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

NOTE 8 - RETIREMENT PLAN

The Center has a Section 403(b) 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, 2007, the plan was properly funded. Retirement expense recognized was \$4,031 for the year ended December 31, 2007.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at December 31, 2007 in the amount of \$31,041 is included in the financial statements. See Note 2.J. above.

NOTE 10 - SUMMARY OF FUNDING AND SUPPORT

Capitol City Family Health Center, Inc.'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)	5H80CS00504-06-00	6/1/07- 5/31/08	\$ 431,365
U.S. Dept. of HHS (Health Center Cluster)	6H80CS00504-05-01	6/1/06-5/31/07	308,688
U.S. Dept. of HHS (Ryan White Title III Early Intervention)	2H76HA00817-05-00	4/1/07-3/31/08	427,392
U.S. Dept. of HHS (Ryan White Title III Early Intervention)	3H76HA00817-04-00	4/1/06-3/31/07	58,986
Louisiana Primary Care Assn. - Operation USA	N/A	7/1/06-6/30/07	19,892
Louisiana Primary Care Assn. - Minority HIV Grant	N/A		129
State of Louisiana Capitol Outlay Act	50-NBC-04B-01	N/A	1,978,142
Louisiana Office of Public Health (Ryan White Title II)	N/A	1/1/06 - 12/31/06	5,401
Direct Relief International	N/A	10/1/06-9/30/06	53,876
HIV/AIDS Alliance for Region Two	N/A	4/1/06-3/31/07	9,789
Social Services Block Grant	N/A	10/1/05-7/31/07	169,447
Louisiana State Department of Health (WIC Grant)	611699; 654775	10/1/07 - 9/30/2010	196,679
<b>TOTALS</b>			<b><u>\$ 3,659,786</u></b>

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Notes to the Financial Statements  
December 31, 2007

**NOTE 11 - ACCOUNTS RECEIVABLE, GRANTS AND CONTRACTS**

Grants and contracts receivable at December 31, 2007 are due from the following:

State of Louisiana Department of Health (WIC Program)	\$ 50,116
State of Louisiana (Capital Outlay Grant)	<u>423,406</u>
Totals	<u>\$ 473,522</u>

In September 2006, the Organization received approval from Region's Bank for a construction loan in the amount of \$1,400,000 to assist in the completion of the newly constructed medical and administrative facility. The proceeds received at December 31, 2007 under this construction loan totaled \$1,400,000. The Organization is required to make monthly interest payments on the proceeds received on this construction loan at a variable rate of 5.37% until its maturity on May 21, 2008.

**NOTE 12 - LITIGATION**

Capitol City Family Health Center, Inc. maintains general liability, property, managed care professional liability, directors and officers and other insurance coverage in amounts the Company believes to be adequate. The Company requires contracting health care 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. is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Company 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.

**NOTE 13 - ADVERTISING**

Capitol City Family Health Center, Inc. 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, 2007, advertising cost totaled \$11,949.

**NOTE 14 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS**

Approximately 63% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

**NOTE 15 - 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.

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Notes to the Financial Statements  
December 31, 2007

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources.

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

**NOTE 16 - 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, 2006, from which the summarized information was derived.

**NOTE 17 - REFUNDABLE ADVANCES**

The Center records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. The activity in the refundable advance account at December 31, 2007 is reported as follows:

	NACHC Grant	Operation USA Grant	Louisiana Attorney General Grant	Johnson & Johnson Co. Grant	Baton Rouge Area Fdtn Grant	LPCA Minority Hlth Grant	Direct Relief Grant	TOTALS
Refundable advances, beginning of year	\$ 3,459	\$ 31,117	\$ -	\$ -	\$ -	\$ -	97,376	\$ 131,952
Grant Awards Received	-	20,000	25,000	24,000	15,000	2,000	-	86,000
Grant Expenditures	-	(19,892)	-	-	-	(128)	(53,877)	(73,897)
Refundable advances, end of year	<u>\$ 3,459</u>	<u>\$ 31,225</u>	<u>\$ 25,000</u>	<u>\$ 24,000</u>	<u>\$ 15,000</u>	<u>\$ 1,872</u>	<u>43,499</u>	<u>\$ 144,055</u>

**NOTE 18 - SUBSEQUENT EVENTS**

The Organization constructed a new facility which was completed during 2007. The facility was partially financed by a \$1,400,000 construction loan from Region's Bank. The terms of this loan requires interest only payments until the loan matures on May 21, 2008. At the completion of this audit, the Organization was in negotiations with Region's Bank in order to finalize the permanent long-term financing of this loan.

SUPPLEMENTARY INFORMATION

SCHEDULE A

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
 Combining Schedule of Support and Revenues  
 For the Year Ended December 31, 2007

	<u>Grants &amp; Contracts</u>	<u>Health Care Services, net of charity, bad debts and adjustments of \$742,716</u>	<u>Other Income</u>	<u>Interest Income</u>	<u>Total</u>
<b>GRANT:</b>					
Section 330 Grant	\$ 740,049	1,142,768	8,847	2,784	\$ 1,894,448
Ryan White Title III Early Intervention	486,382	-	-	-	486,382
WIC Program	196,679	-	-	-	196,679
Ryan White C.A.R.E. Grant (State)	5,401	54,009	-	-	59,410
State of Louisiana Appropriation	1,978,142	-	-	-	1,978,142
LPCA - Minority Health	128	-	-	-	128
HIV/AIDS Alliance for Region Two	9,790	95,994	-	-	105,784
Nat'l Assn. of Comm. Hlth Centers	-	-	-	-	-
LPCA - Operation USA	19,892	-	-	-	19,892
Social Service Block Grant	169,447	-	-	-	169,447
Direct Relief International	53,876	-	-	-	53,876
<b>TOTAL SUPPORT AND REVENUES</b>	<b><u>\$ 3,659,786</u></b>	<b><u>1,292,771</u></b>	<b><u>8,847</u></b>	<b><u>2,784</u></b>	<b><u>\$ 4,964,188</u></b>

SCHEDULE B

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
 Schedule of Health Care Services Expenses  
 For the Year Ended December 31, 2007

<u>EXPENSES</u>	<u>HHS Section 330</u>	<u>State of Louisiana Capital Outlay Grant</u>	<u>Total</u>
Personnel	\$ 585,296	-	\$ 585,296
Fringe benefits	84,762	-	84,762
Travel	2,267	-	2,267
Supplies	52,741	-	52,741
Equipment rental	1,412	-	1,412
Contractual	77,096	-	77,096
Printing	616	-	616
Repairs and maintenance	8,141	-	8,141
Advertisement	6,069	-	6,069
Continuing education	1,145	-	1,145
Communications	7,928	-	7,928
License and fees	400	-	400
Janitorial	8,190	-	8,190
Space cost	6,384	-	6,384
Disposal services	7,495	-	7,495
Other	<u>289</u>	<u>-</u>	<u>289</u>
Total	<u>850,231</u>	<u>-</u>	<u>850,231</u>
Equipment Acquisitions	<u>-</u>	<u>1,978,142</u>	<u>1,978,142</u>
Total Expenses	<u>\$ 850,231</u>	<u>1,978,142</u>	<u>\$ 2,828,373</u>



SCHEDULE C

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
 Schedule of Community Services Expenses  
 For the Year Ended December 31, 2007

EXPENSES	WIC	State of Louisiana Ryan White Title II	Louisiana Primary Care Operation USA	HHS- Title III Early Intervention	Social Services Block Grant	Direct Relief International	HIV/AIDS Alliance for Region Two	Louisiana Primary Care Minority Health	TOTALS
Personnel	\$ 91,532	6,715	19,892	286,828	49,090	36,207	-	-	\$ 490,264
Fringe benefits	2,635	(439)	-	22,547	(304)	7,511	-	-	31,950
Travel	-	-	-	3,327	-	17	2,106	-	5,450
Supplies	12,607	-	-	20,865	24,630	9,141	-	45	67,288
Equipment rental	1,463	-	-	395	-	-	-	-	1,858
Contractual	-	14,483	-	92,717	65,718	1,000	-	-	173,918
Printing	-	-	-	1,211	-	-	-	-	1,211
Repairs and maintenance	5,490	-	-	989	-	-	-	-	6,479
Advertisement	-	-	-	152	-	-	-	-	152
Continuing education	-	-	-	41	-	-	-	-	41
Communications	4,714	-	-	1,538	574	-	-	-	6,826
Janitorial	4,260	-	-	-	-	-	-	-	4,260
Space cost	3,915	-	-	1,920	-	-	-	-	5,835
Moving expenses	8,220	-	-	-	-	-	-	-	8,220
Other	-	-	-	146	-	-	-	83	229
<b>Total</b>	<b>134,836</b>	<b>20,759</b>	<b>19,892</b>	<b>432,676</b>	<b>139,708</b>	<b>53,876</b>	<b>2,106</b>	<b>128</b>	<b>803,981</b>
Equipment Acquisitions	-	-	-	3,934	-	8,022	-	-	11,956
<b>Total Expenses</b>	<b>\$ 134,836</b>	<b>20,759</b>	<b>19,892</b>	<b>436,610</b>	<b>139,708</b>	<b>61,898</b>	<b>2,106</b>	<b>128</b>	<b>\$ 815,937</b>

SCHEDULE D

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
 Schedule of Management and General Expenses  
 For the Year Ended December 31, 2007

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 479,040
Fringe benefits	179,399
Travel	18,053
Supplies	79,718
Equipment rental	5,108
Contractual	68,887
Legal and accounting	127,161
Dues and subscriptions	16,183
Printing	4,430
Repairs and maintenance	41,713
Insurance	13,861
Staff recruitment	295
Advertisement	5,728
Security	2,546
Continuing education	6,309
Communications	4,561
License,taxes and fees	3,603
Janitorial	(450)
Space cost	22,292
Interest	48,835
Bank and finance charges	2,767
Moving expenses	9,540
Board expenses	8,929
Other	975
Total	<u>1,149,483</u>
Equipment	
Acquisitions	<u>1,344,680</u>
Total Expenses	<u>\$ 2,494,163</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2007

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
<u>Health Resource &amp; Service Administration</u>			
<u>Bureau of Primary Health Care</u>			
Direct Grants:			
Health Center Cluster	93.224	5H80CS00504-06-00	\$ 431,365
Health Center Cluster	93.224	6H80CS00504-05-01	<u>308,688</u>
			<u>740,053</u>
Ryan White Title III Early Intervention	93.918	2H76HA008170500	427,392
Ryan White Title III Early Intervention	93.918	3H76HA008170400	<u>58,986</u>
			<u>486,378</u>
<u>Pass Through Louisiana Dept of Health and Hospitals - Office of Public Health</u>			
Ryan White C.A.R.E Act	93.917	N/A	<u>59,410</u>
<u>Pass Through Louisiana Capital Area Human Services District</u>			
Social Services Block Grant	93.667	CFMS 642818	<u>169,447</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,455,288</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	10.577	654775	<u>196,679</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,651,967</u>

**CAPITOL CITY FAMILY HEALTH CENTER, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2007**

**BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by Capitol City Family Health Center, Inc., for the year ended December 31, 2007, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between Capitol City Family Health Center, Inc., it is not intended to and does not present either the financial position or the changes in net assets of Capitol City Family Health Center, Inc.



**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.  
Baton Rouge, Louisiana

We have audited the financial statements of Capitol City Family Health Center, Inc. (a nonprofit organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated June 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Capitol City Family Health Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Capitol City Family Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

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

*Bank, Finley, White & Co.*

June 6, 2008



**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of  
Capitol City Family Health Center, Inc.  
Baton Rouge, Louisiana

**Compliance**

We have audited the compliance of Capitol City Family Health Center, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Capitol City Family Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Capitol City Family Health Center, Inc.'s management. Our responsibility is to express an opinion on Capitol City Family Health Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capitol City Family Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Capitol City Family Health Center, Inc.'s compliance with those requirements.

In our opinion, Capitol City Family Health Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

**Internal Control Over Compliance**

The management of Capitol City Family Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Capitol City Family Health Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over compliance.

A *control deficiency* in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessary identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness as defined above.

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

*Bonds, Faily, White & Co.*  
June 6, 2008



CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2007

There were no prior year audit findings.

CAPITOL CITY FAMILY HEALTH CENTER, INC.  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2007

Section 1: Summary of Auditor's Results

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the basic financial statements.                     | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements.                     | None        |
| 3. | Internal control over financial reporting:   |             |
|    | a. Material weaknesses identified?   | None        |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | None        |

Federal Awards:

- |    |  |             |
|----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs               | Unqualified |
| 5. | Internal control over major programs:  |             |
|    | a. Material weaknesses identified?   | None        |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | None        |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133?        | None        |
| 7. | Federal programs identified as major programs:   |             |
|    | a. CFDA #93.224, Health Center Cluster   |             |
|    | b. CDFA #93.918, Ryan White, Early Intervention Services (EIS)                         |             |
| 8. | The dollar threshold used to distinguish between type A and Type B programs: \$300,000 |             |
| 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