

**SOUTHWEST LOUISIANA PRIMARY  
HEALTH CARE CENTER, INC.  
Opelousas, Louisiana**

**Financial and Compliance Report  
June 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Southwest Louisiana Primary Health Care Center, Inc.  
Opelousas, Louisiana

### **Report on the Financial Statements**

I have audited the accompanying statements of Southwest Louisiana Primary Health Care Center, Inc., (a non-profit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana Primary Health Care Center, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

I have previously audited Southwest Louisiana Primary Health Care Center, Inc.'s June 30, 2013 financial statements, and my report dated November 20, 2013, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated November 21, 2014, on my consideration of Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting and on my 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 my 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* in considering Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting and compliance.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
November 21, 2014

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**

**Opelousas, Louisiana**

**Statements of Financial Position**

**As of June 30, 2014**

**With Summarized Comparative Totals as of June 30, 2013**

| <b>Assets</b>                           | <b>2014</b>             | <b>2013</b>             |
|---|-------------------------|-------------------------|
| <b>Current Assets</b>                   |                         |                         |
| Cash and cash equivalents               | \$ 341,792              | \$ 504,483              |
| Patient accounts receivable, net        | 78,085                  | 75,671                  |
| Inventory                               | 85,436                  | 66,550                  |
| Certificates of deposit                 | 52,437                  | 52,437                  |
| Prepaid expenses                        | -                       | 4,081                   |
| Grant receivable                        | -                       | 9,189                   |
| Deposits                                | 405                     | 405                     |
| Total Current Assets                    | <u>558,155</u>          | <u>712,816</u>          |
| <b>Property, Plant and Equipment</b>    |                         |                         |
| Furniture and equipment                 | 1,586,363               | 1,360,335               |
| Building and improvements               | 2,779,162               | 1,176,715               |
|   | <u>4,365,525</u>        | <u>2,537,050</u>        |
| Less accumulated depreciation           | (1,077,967)             | (812,179)               |
|   | <u>3,287,558</u>        | <u>1,724,871</u>        |
| Land                                    | 100,000                 | 100,000                 |
| Construction in progress                | 45,500                  | 915,115                 |
| Net Property, Plant and Equipment       | <u>3,433,058</u>        | <u>2,739,986</u>        |
| <br>Total Assets                        | <br><u>\$ 3,991,213</u> | <br><u>\$ 3,452,802</u> |
| <b>Liabilities and Net Assets</b>       |                         |                         |
| <b>Current Liabilities</b>              |                         |                         |
| Accounts payable                        | \$ 210,635              | \$ 160,797              |
| Accrued payroll and related liabilities | 144,004                 | 81,160                  |
| Current portion of leases payable       | 12,643                  | 8,372                   |
| Current portion of notes payable        | 131,072                 | 123,182                 |
| Total Current liabilities               | <u>498,354</u>          | <u>373,511</u>          |
| <b>Long Term Liabilities</b>            |                         |                         |
| Leases payable - net of current portion | 33,026                  | 26,600                  |
| Notes payable - net of current portion  | 374,617                 | 507,275                 |
| Total Long Term Liabilities             | <u>407,643</u>          | <u>533,875</u>          |
| <br>Total Liabilities                   | <br><u>905,997</u>      | <br><u>907,386</u>      |
| <b>Net Assets</b>                       |                         |                         |
| Unrestricted net assets                 | <u>3,085,216</u>        | <u>2,545,416</u>        |
| <br>Total Liabilities and Net Assets    | <br><u>\$ 3,991,213</u> | <br><u>\$ 3,452,802</u> |

See accompanying notes to the financial statements

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Statements of Activities**  
**For the Year Ended June 30, 2014**  
**With Summarized Comparative Totals for the Year Ended June 30, 2013**

|   | <u>2014</u>         | <u>2013</u>         |
|---|---------------------|---------------------|
| <b>Revenue and Support</b>                          |                     |                     |
| Revenue:  |                     |                     |
| Gross patient service revenue                       | \$ 2,004,419        | \$ 1,802,881        |
| Less contractual allowances and discounts           | (322,710)           | (582,291)           |
| Less bad debts                                      | <u>(49,815)</u>     | <u>(30,055)</u>     |
| Net patient service revenue                         | <u>1,631,894</u>    | <u>1,190,535</u>    |
| Support:  |                     |                     |
| Grant awards  | 2,507,533           | 2,025,994           |
| Interest  | 255                 | 584                 |
| Gain from LA Partnership for Choice and Access, LLC | -                   | 467,595             |
| Other income  | <u>121,997</u>      | <u>16,248</u>       |
| Total Support                                       | <u>2,629,785</u>    | <u>2,510,421</u>    |
| Total Revenue and Support                           | <u>4,261,679</u>    | <u>3,700,956</u>    |
| <b>Expenses</b>                                     |                     |                     |
| Program Services:                                   |                     |                     |
| Medical   | 1,783,249           | 1,276,356           |
| Dental  | 569,230             | 558,097             |
| Social services                                     | <u>62,634</u>       | <u>48,496</u>       |
| Total Program Services                              | <u>2,415,113</u>    | <u>1,882,949</u>    |
| Support Services:                                   |                     |                     |
| General and administrative                          | <u>1,306,766</u>    | <u>1,024,415</u>    |
| Total Expenses                                      | <u>3,721,879</u>    | <u>2,907,364</u>    |
| Change in Net Assets                                | 539,800             | 793,592             |
| Unrestricted Net Assets - Beginning of Year         | <u>2,545,416</u>    | <u>1,751,824</u>    |
| Unrestricted Net Assets - End of Year               | <u>\$ 3,085,216</u> | <u>\$ 2,545,416</u> |

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2014**  
**With Summarized Comparative Totals for the Year Ended June 30, 2013**

|   | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| <b>Cash Flows From Operating Activities</b>   |             |             |
| Change in net assets  | \$ 539,800  | \$ 793,592  |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |             |             |
| Depreciation  | 265,788     | 122,150     |
| Net (gain) loss on long-term investments  | -           | (467,595)   |
| Changes in operating assets and liabilities:  |             |             |
| Change in allowance for doubtful accounts   | (31,285)    | 16,578      |
| (Increase) decrease in accounts receivable  | 28,871      | 15,456      |
| (Increase) decrease in other receivable   | 9,189       | 191,143     |
| (Increase) decrease in inventory  | (18,886)    | (13,763)    |
| (Increase) decrease in prepaid expenses   | 4,081       | (2,914)     |
| Increase (decrease) in accounts payable   | 49,838      | (21,213)    |
| Increase (decrease) in accrued liabilities  | 62,844      | 11,429      |
|   | 910,240     | 644,863     |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                     |             |             |
| <b>Cash Flows From Investing Activities</b>   |             |             |
| Purchase of certificate of deposit  | -           | (148)       |
| Proceeds from sale of LA Partnership for Choice and Access, LLC                             | -           | 567,595     |
| Payments on construction in progress  | (701,488)   | (209,944)   |
| Fixed asset acquisitions  | (233,085)   | (1,245,118) |
|   | (934,573)   | (887,615)   |
| <b>Net Cash Provided (Used) by Investing Activities</b>                                     |             |             |
| <b>Cash Flows From Financing Activities</b>   |             |             |
| Proceeds on long-term debt  | -           | 289,783     |
| Principal payments on long-term debt  | (124,768)   | (92,606)    |
| Principal payments on capital leases  | (13,590)    | (6,301)     |
|   | (138,358)   | 190,876     |
| <b>Net Cash Provided (Used) by Financing Activities</b>                                     |             |             |
| <b>Net Increase in Cash and Cash Equivalents</b>  | (162,691)   | (51,876)    |
| Cash and Cash Equivalents - Beginning of Year   | 504,483     | 556,359     |
| Cash and Cash Equivalents - End of Year   | \$ 341,792  | \$ 504,483  |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                                    |             |             |
| Interest paid   | \$ 29,427   | \$ 29,503   |
| <b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>              |             |             |
| Assets acquired through capital lease   | \$ 24,289   | \$ 30,546   |

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Statements of Functional Expenses**  
**For the Year Ended June 30, 2014**  
**With Summarized Comparative Totals for the Year Ended June 30, 2013**

|   | <b>Program Services</b> |                        |                        |                     | <b>Supporting Services</b>        | <b>Total</b>        |                     |
|---|-------------------------|------------------------|------------------------|---------------------|-----------------------------------|---------------------|---------------------|
|   | <b>Medical Services</b> | <b>Dental Services</b> | <b>Social Services</b> | <b>Total</b>        | <b>General and Administrative</b> | <b>2014</b>         | <b>2013</b>         |
| Salaries                                  | \$ 845,844              | \$ 465,496             | \$ 57,917              | \$ 1,369,257        | \$ 607,001                        | \$ 1,976,258        | \$ 1,504,175        |
| Fringe benefits                           | 8,615                   | 3,876                  | -                      | 12,491              | 26,942                            | 39,433              | 32,661              |
| Payroll taxes                             | 88,537                  | 32,862                 | 4,517                  | 125,916             | 44,737                            | 170,653             | 96,197              |
| Consultants and contractual services      | 565,042                 | 1,806                  | -                      | 566,848             | 25,535                            | 592,383             | 628,428             |
| Supplies                                  | 34,888                  | 44,450                 | 200                    | 79,538              | 35,306                            | 114,844             | 109,844             |
| Dues and subscriptions                    | 50                      | -                      | -                      | 50                  | 12,298                            | 12,348              | 18,709              |
| Maintenance and repairs                   | 36,020                  | 2,006                  | -                      | 38,026              | 85,728                            | 123,754             | 89,533              |
| Telephone                                 | 13,176                  | 5,461                  | -                      | 18,637              | 19,875                            | 38,512              | 33,037              |
| Postage                                   | -                       | -                      | -                      | -                   | 2,334                             | 2,334               | 2,750               |
| Insurance                                 | 12,319                  | -                      | -                      | 12,319              | 26,117                            | 38,436              | 22,714              |
| Travel and seminars                       | 3,055                   | 2,879                  | -                      | 5,934               | 34,970                            | 40,904              | 37,728              |
| Utilities                                 | 18,631                  | 7,676                  | -                      | 26,307              | 12,489                            | 38,796              | 23,828              |
| Interest and bank charges                 | 31,040                  | -                      | -                      | 31,040              | 15,685                            | 46,725              | 34,657              |
| Legal and professional                    | 10,406                  | 2,671                  | -                      | 13,077              | 161,611                           | 174,688             | 119,799             |
| Miscellaneous                             | 9,716                   | 47                     | -                      | 9,763               | 14,433                            | 24,196              | 13,320              |
| Advertising and promotion                 | 4,817                   | -                      | -                      | 4,817               | 17,010                            | 21,827              | 17,834              |
| <b>Total expenses before depreciation</b> | <b>1,682,156</b>        | <b>569,230</b>         | <b>62,634</b>          | <b>2,314,020</b>    | <b>1,142,071</b>                  | <b>3,456,091</b>    | <b>2,785,214</b>    |
| Depreciation and amortization             | 101,093                 | -                      | -                      | 101,093             | 164,695                           | 265,788             | 122,150             |
| <b>Total expenses</b>                     | <b>\$ 1,783,249</b>     | <b>\$ 569,230</b>      | <b>\$ 62,634</b>       | <b>\$ 2,415,113</b> | <b>\$ 1,306,766</b>               | <b>\$ 3,721,879</b> | <b>\$ 2,907,364</b> |



SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.  
Opelousas, Louisiana  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Southwest Louisiana Primary Health Care Center, Inc. (a non-profit, non-stock corporation) was incorporated in the State of Louisiana on May 27, 1992 to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged. The Organization is a federally qualified health center (FQHC) and is principally funded under a grant from the Office of Public Health Services, a component of the U.S. Department of Health and Human Services (DHHS).

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the financial statements.

**Method of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

**Property and Equipment**

Property and equipment is stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$500. Repairs and maintenance are charged to operations when incurred. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

|                                   | Years  |
|-----------------------------------|--------|
| Buildings and improvements        | 5 - 40 |
| Equipment, furniture and fixtures | 3 - 20 |
| Vehicles                          | 5      |

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Accounts Receivable**

The Organization records accounts receivable at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors.

**Bad Debts**

The Organization uses the allowance method in accounting for its un-collectible accounts. The allowance account consists of an estimate of uncollectible accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past patient history, any adverse situations that might affect the patient's ability to repay, and current economic conditions. Amounts charged-off that are subsequently recovered are recorded as income.

**Major Funding Source**

The Organization receives funds from DHHS, under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of non-compliance by the Organization with the terms of the grants. In addition, if the Organization terminates its DHHS grant activities, all unexpended federal funds are to be returned to DHHS.

**Inventory**

Supply inventories are stated at lower of cost, determined by the FIFO method, or market.

**Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

**Advertising Expense**

The Organization expenses the cost of advertising as the expense is incurred. For the year ended June 30, 2014, the cost totaled \$21,827.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.  
Opelousas, Louisiana  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

**Grants and Contributions**

Grants and contributions are recognized as income when received. The Board reports grants as temporarily restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned.

**Risk Management**

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters.

**NOTE 2 - PATIENT ACCOUNTS RECEIVABLE**

Patient accounts receivable are comprised of the following for the year ending June 30, 2014:

|                                      |           |
|--------------------------------------|-----------|
| Medicare                             | \$ 19,702 |
| Medicaid                             | 53,790    |
| Private                              | 51,625    |
|                                      | 125,117   |
| Less allowance for doubtful accounts | 47,032    |
|                                      | \$ 78,085 |

**NOTE 3 - COST REPORT RECEIVABLE**

The Organization participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Organization participates in the Medicaid program as a federally qualified health center. Final settlements will be made upon completion of audits by program representatives.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.  
Opelousas, Louisiana  
Notes to Financial Statements  
June 30, 2014

**NOTE 4 - ACCRUED VACATION**

The Organization allows employees to carry over unused vacation hours, with written permission from the executive director. The accrual is calculated based on the employee's pay rate at the end of the year. At June 30, 2014 accrued vacation totaled \$68,605.

**NOTE 5 - ECONOMIC DEPENDENCY**

The Organization receives a substantial portion of its total support and revenues from the federal government. During the year ended June 30, 2014, Southwest Louisiana Primary Health Care Center, Inc. recorded \$1,972,369 in grant support from the Department of Health and Human Services. This represents 46% of total support and revenues for the year ended June 30, 2014.

**NOTE 6 - FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Organization's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

**NOTE 7 - CONCENTRATIONS OF CREDIT RISK**

The Organization maintains several bank accounts at various banks. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. Account balances held are occasionally in excess of Federal Deposit Insurance Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

The majority of the Organization's patients are located in south central Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of June 30, 2014 was as follows:

|          |              |
|----------|--------------|
| Medicare | 25 %         |
| Medicaid | 69           |
| Other    | 6            |
|          | <u>100 %</u> |

The mix of net patient revenues for the year ended June 30, 2014 was as follows:

|          |              |
|----------|--------------|
| Medicare | 26 %         |
| Medicaid | 49           |
| Other    | 25           |
|          | <u>100 %</u> |

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.  
Opelousas, Louisiana  
Notes to Financial Statements  
June 30, 2014

**NOTE 8 – LONG-TERM NOTES PAYABLE**

Notes payable for the year ended June 30, 2014 consisted of the following:

Bank note dated March 18, 2011, in the amount of \$260,000, due in 60 equal monthly installments, including interest at a variable interest rate equal to 4.080 percentage points over the Treasury Securities Rate, collateralized by Lafayette building, equipment, and funds on deposit with bank. \$ 125,291

Bank note dated March 18, 2011, in the amount of \$200,000, due in 60 equal monthly installments, including interest at a variable interest rate equal to 4.080 percentage points over the Treasury Securities Rate, collateralized by Lafayette building, equipment, and funds on deposit with bank. 92,239

Construction multiple advance loan dated May 2, 2012, in the amount of \$200,000, interest payable monthly until conversion to amortizing loan with 50 principal and interest payments of \$1,589 commencing on March 2, 2013, plus the final payment of the remaining balance on May 2, 2017, bearing an interest rate of 5.00%, collateralized by real estate and funds on deposit with bank. 187,584

Bank note dated May 2, 2013, in the amount of \$125,500, due in 59 equal monthly payments of \$2,343.64, and one final payment of remaining balance, including interest at of 4.5 percentage points, collateralized by the mobile medical unit. 100,575

Total Debt 505,689

Less current portion (131,072)

Long-term debt \$ 374,617

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.  
Opelousas, Louisiana  
Notes to Financial Statements  
June 30, 2014

**NOTE 8 – LONG-TERM NOTES PAYABLE (Continued)**

Maturities of debt are as follows:

| <u>June 30,</u> | <u>Amount</u>     |
|-----------------|-------------------|
| 2015            | \$ 131,073        |
| 2016            | 137,602           |
| 2017            | 212,083           |
| 2018            | <u>24,931</u>     |
| Total           | <u>\$ 505,689</u> |

**NOTE 9 – PRIOR-YEAR SUMMARIZED INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 June 30, 2013, from which the summarized information was derived.

**NOTE 10 – INVESTMENTS**

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair market hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs are inputs (other than quoted prices in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.  
Opelousas, Louisiana  
Notes to Financial Statements  
June 30, 2014

**NOTE 10 – INVESTMENTS (Continued)**

The amortized cost and fair values measured on a recurring basis of investment securities as of June 30, 2014 are as follows:

|  | Amortized<br>Cost | Fair<br>Value | Unrealized<br>Gain (Loss) |
|--|-------------------|---------------|---------------------------|
| Certificates of deposit<br>(Level 2 Observable Inputs) | \$ 52,437         | \$ 52,437     | \$ -0-                    |

**NOTE 11 – CAPITAL LEASES**

The Organization has entered into various lease agreements for financing the acquisition of pieces of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the lower of the present value of the future minimum lease payments or the fair value of the assets. The assets are depreciated over the lesser of their lease terms or their estimated productive lives. The capitalized cost for these leases was \$69,836 at June 30, 2014.

Depreciation expense on this equipment under capital lease for the year ending June 30, 2014 was \$9,829. The accumulated depreciation on this equipment was \$18,597 at June 30, 2014.

The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2014:

| Year Ending June 30,                              |           |
|---|-----------|
| 2015  | \$ 14,924 |
| 2016  | 11,855    |
| 2017  | 10,832    |
| 2018  | 9,797     |
| 2019  | 3,210     |
| Total Minimum Lease Payments                      | 50,618    |
| Less: Amount Representing Interest                | 4,949     |
| Present Value of Future Minimum<br>Lease Payments | \$ 45,669 |

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 12 – FAIR VALUE OF INSTRUMENTS**

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2014, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, accounts receivable, prepaid expenses, inventory, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

**NOTE 13 – CHARITY CARE**

The Organization provides care to patients who qualify under federal guidelines and other policies of the Organization at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data. The amount of costs associated with charity care for the fiscal year ended June 30, 2014 was \$506,212.

**NOTE 14 – RETIREMENT PLAN**

The Organization sponsors a 403 (b) Plan. The Organization will contribute up to three percent on eligible wages of eligible employees. All participating employees are 50% vested after 3 years of employment and 100% vested after 5 years of employment. To be eligible, an employee must be employed with the Organization for at least 180 days and work at least 32 hours per week. The 403(b) expense for the fiscal year ended June 30, 2014 was \$6,049.

**NOTE 15 – SUBSEQUENT EVENTS**

The Organization evaluated its June 30, 2014 financial statements for subsequent events through November 21, 2014, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.



**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

| <u>Program Title</u>   | <u>CFDA<br/>Number</u> | <u>Grant Number</u> | <u>Program<br/>Year</u>   | <u>Program<br/>Receipts</u> | <u>Program<br/>Expenses</u> |
|--|------------------------|---------------------|---------------------------|-----------------------------|-----------------------------|
| U.S. Department of Health and Human Services:                                      |                        |                     |                           |                             |                             |
| Direct programs:   |                        |                     |                           |                             |                             |
| * Community Health Center Section 330  | 93.224                 | H27CS02060          | 3/1/14 -<br>2/28/15       | \$ 1,774,428                | \$ 1,774,428                |
| Capital Development  | 93.526                 | C8ACS23765          | 5/1/2012 -<br>4/30/2015   | 197,941                     | 197,941                     |
| U.S. Department of Housing and Urban Development:                                  |                        |                     |                           |                             |                             |
| Pass-through from Louisiana Office of Community Development Disaster Recovery Unit | 14.228                 | 808DI220001         | 12/1/2011 –<br>11/30/2016 | 200,000                     | 200,000                     |
| Total federal assistance   |                        |                     |                           | <u>\$ 2,172,369</u>         | <u>\$ 2,172,369</u>         |

\*Denotes major program.

**Basis of Presentation**

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

# STEVEN M. DEROUEN & ASSOCIATES

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## 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

Board of Directors  
Southwest Louisiana Primary Health Care Center, Inc.  
Opelousas, Louisiana

I 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 Southwest Louisiana Primary Health Care Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated November 21, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Louisiana Primary Health Care Center, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Southwest Louisiana Primary Health Care Center, Inc.'s internal control.

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Southwest Louisiana Primary Health Care Center, Inc.  
Opelousas, Louisiana  
Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southwest Louisiana Primary Health Care Center, Inc.'s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
November 21, 2014

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

The Board of Directors  
Southwest Louisiana Primary Health Care Center, Inc.  
Opelousas, Louisiana

### **Report on Compliance for Each Major Federal Program**

I have audited Southwest Louisiana Primary Health Care Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southwest Louisiana Primary Health Care Center, Inc.'s major federal programs for the year ended June 30, 2014. Southwest Louisiana Primary Health Care Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Southwest Louisiana Primary Health Care Center, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Southwest Louisiana Primary Health Care Center, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Southwest Louisiana Primary Health Care Center, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In my opinion, Southwest Louisiana Primary Health Care Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Board of Directors  
Southwest Louisiana Primary Health Care Center, Inc.  
Opelousas, Louisiana  
Page 2

## **Report on Internal Control Over Compliance**

Management of Southwest Louisiana Primary Health Care Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, I considered Southwest Louisiana Primary Health Care Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Southwest Louisiana Primary Health Care Center, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
November 21, 2014

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, LA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

Financial Statements

|   |     |     |     |               |            |
|---|-----|-----|-----|---------------|------------|
| Type of auditor’s report issued   |     |     |     |               | Unmodified |
| Internal control over financial reporting:                                  |     |     |     |               |            |
| Material weaknesses identified?   | ___ | Yes | _x_ | No            |            |
| Significant deficiency identified not considered to be material weaknesses? | ___ | Yes | _x_ | None reported |            |
| Noncompliance material to financial statements noted?                       | ___ | Yes | _x_ | No            |            |

Federal Awards

|  |     |     |     |               |            |
|--|-----|-----|-----|---------------|------------|
| Internal control over major programs:  |     |     |     |               |            |
| Material weaknesses identified?  | ___ | Yes | _x_ | No            |            |
| Significant deficiency identified not considered to be material weaknesses?  | ___ | Yes | _x_ | None reported |            |
| Type of auditor’s report issued on compliance for major programs:  |     |     |     |               | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? | ___ | Yes | _x_ | No            |            |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u>   |
|--------------------|---|
| 93.224             | U.S. Department of Health and Human Services, Community Health Center Section 330 |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_ Yes    x No

**A separate management letter was not issued.**

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2014**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

The results of our tests disclosed no instances of non-compliance with the requirements applicable to each major federal program that are required to be reported in accordance with section 510(a) of OMB Circular A-133.

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Summary Schedule of Prior Year Findings and Questioned Costs**  
**Year Ended June 30, 2014**

**PRIOR YEAR FINDINGS**

None