

**ST. THOMAS COMMUNITY HEALTH CENTER, INC.
AND SUBSIDIARIES**

**Consolidated Financial Statements as of December 31, 2011
and For The Year Then Ended
and Independent Auditors' Report
and Supplementary Information**

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 JUN 27 2012

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES

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Silva Gurtner & Abney

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
St Thomas Community Health Center, Inc. and Subsidiaries
New Orleans, Louisiana

We have audited the accompanying consolidated statement of financial position of St. Thomas Community Health Center, Inc and Subsidiaries (see Note A for description of Subsidiaries) as of December 31, 2011, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of St Thomas Community Health Center, Inc and Subsidiaries. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform an 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of St Thomas Community Health Center, Inc and Subsidiaries as of December 31, 2011, 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 May 25, 2012 on our consideration of St Thomas Community Health Center, Inc and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants as of and for the year ended December 31, 2011. 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 read in conjunction with this report in considering the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of St Thomas Community Health Center, Inc and Subsidiaries taken as a whole. The accompanying schedule of expenditures of federal and state awards and schedule of findings and questioned costs are presented herein as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (OMB)*. The schedules required by the OMB, the supplementary schedule of the consolidating statement of activities, and the supplementary schedule of the consolidating statement of financial position for the year ended December 31, 2011, have been presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects, in relation to the consolidated financial statements taken as a whole.

Silva Gurtner & Abney, LLC

May 25, 2012

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS	
CURRENT ASSETS	
Cash	\$ 1,820,636
Grants receivable	127,187
Accounts receivable	409,248
Prepaid expenses and other assets	<u>56,212</u>
Total current assets	2,413,283
RESTRICTED CASH	722,372
PROPERTY AND EQUIPMENT, net	5,198,508
OTHER ASSETS	
Deferred financing fees, net	549,879
Tax credit fees, net	271,292
Note receivable	<u>5,405,715</u>
Total other assets	<u>6,226,886</u>
TOTAL ASSETS	<u>\$ 14,561,049</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$ 520,853
Due to plan trustee	4,681
Current maturities of long-term debt	<u>1,177,093</u>
Total current liabilities	1,702,627
LONG-TERM DEBT, net of current maturities	10,711,516
NET ASSETS	
Unrestricted	
Unrestricted	1,929,667
Noncontrolling interest	<u>8,010</u>
Total unrestricted net assets	1,937,677
Temporarily restricted	<u>209,229</u>
Total net assets	<u>2,146,906</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,561,049</u>

See accompanying independent auditors' report and notes to consolidated financial statements

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Noncontrolling</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenues				
Contributions	\$ 42,514	\$ -	\$ -	\$ 42,514
Grant revenues	1,715,194	-	-	1,715,194
Patient revenues	149,356	-	-	149,356
Medicare and Medicaid	2,691,081	-	-	2,691,081
Program reimbursements	358,228	-	-	358,228
Private insurance	98,276	-	-	98,276
Donated medical supplies	195,197	-	-	195,197
Donated facilities	18,000	-	-	18,000
Donated services	135,039	-	-	135,039
Other revenues	6,898	-	-	6,898
Released from restriction	119,000	-	(119,000)	-
Total operating revenues	5,528,783		(119,000)	5,409,783
Operating expenses				
Health care	3,901,381	-	-	3,901,381
Management and general	2,382,338	-	-	2,382,338
Total operating expenses	6,283,719	-	-	6,283,719
Excess of expenses over revenues	(754,936)	-	(119,000)	(873,936)
Less excess of expenses over revenues attributable to noncontrolling interest	1,565	(1,565)	-	-
Excess of expenses over revenues attributable to the Clinic	(753,371)	(1,565)	(119,000)	(873,936)
Net assets - beginning of year	2,683,038	-	328,229	3,011,267
Contributions	-	9,575	-	9,575
Net assets - end of year	\$ 1,929,667	\$ 8,010	\$ 209,229	\$ 2,146,906

See accompanying independent auditors' report and notes to consolidated financial statements

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Health Care</u>	<u>Management and General</u>	<u>Total</u>
Salaries, related payroll taxes and benefits	\$ 2,431,118	\$ 916,669	\$ 3,347,787
Professional fees and contract services	404,591	564,535	969,126
Accounting, audit and legal fees	-	205,520	205,520
Billing services	-	95,740	95,740
Depreciation and amortization	77,608	135,537	213,145
Insurance	109,110	8,342	117,452
Interest	-	118,845	118,845
Lab testing and diagnostics	53,934	-	53,934
Other	98,327	76,141	174,468
Postage	-	8,359	8,359
Rent	126,469	195	126,664
Repairs and maintenance	24,551	43,866	68,417
Supplies	167,578	85,703	253,281
Donated medical supplies	195,197	-	195,197
Donated facilities	18,000	-	18,000
Donated services	108,500	26,539	135,039
Trash and waste removal	18,466	4,126	22,592
Travel, meetings, conferences, continuing education	44,548	42,393	86,941
Utilities	23,384	49,828	73,212
Total expenses	<u>\$ 3,901,381</u>	<u>\$ 2,382,338</u>	<u>\$ 6,283,719</u>

See accompanying independent auditors' report and notes to consolidated financial statements.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess of expenses over revenues	\$ (873,936)
Adjustments to reconcile excess of expenses over revenues to net cash used in operating activities	
Depreciation and amortization	213,145
Change in operating assets and liabilities	
Grants receivable	(127,187)
Accounts receivable	237,307
Prepaid expenses and other assets	(27,577)
Deferred financing fees	(551,028)
Tax credit fees	(271,857)
Accounts payable and accrued liabilities	386,025
Due to plan trustee	986
	<hr/>
Net cash used in operating activities	(1,014,122)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(3,876,962)
Note receivable	(5,405,715)
	<hr/>
Net cash used in investing activities	(9,282,677)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term debt	14,989,137
Payments of long-term debt	(3,100,528)
Noncontrolling interest	9,575
	<hr/>
Net cash provided by financing activities	11,898,184
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,601,385
CASH AND CASH EQUIVALENTS - Beginning of year	941,623
	<hr/>
CASH AND CASH EQUIVALENTS - End of year	\$ 2,543,008
	<hr/> <hr/>
RECONCILIATION TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
Cash	\$ 1,820,636
Restricted cash	722,372
	<hr/>
Total cash	\$ 2,543,008
	<hr/> <hr/>
SUPPLEMENTAL DISCLOSURE FOR STATEMENT OF CASH FLOWS	
Cash paid during the period for interest	\$ 144,875
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See accompanying independent auditors' report and notes to consolidated financial statements

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – St Thomas Community Health Center, Inc and Subsidiaries (the Clinic), formerly St Thomas Health Services, Inc , is a Federally Qualified Health Center (FQHC), community-based, non-profit, primary health clinic that provides ambulatory health care services, including specialty care and diagnostic testing services. Serving both insured and uninsured patients, a large percentage of the patients are the medically indigent, under-insured and uninsured of the Greater New Orleans and surrounding areas. A description of St Thomas Community Health Center, Inc 's operational activities follows. Descriptions of its subsidiaries operational activities are found within Note A under Principles of Consolidation.

St. Thomas Health Services, Inc was founded in 1987 to improve the health status in the service area with major emphasis being placed on disease prevention. Due to the lingering affects of Hurricane Katrina, St Thomas Health Services, Inc. discontinued operations on June 30, 2006 and was reformed on July 1, 2006 as St Thomas Community Health Center, Inc. (STCHC).

Start-up funds, equipment, as well as on-going financial support for the operation of STCHC, in a neighborhood where 70%-80% of the residents are uninsured and where 10% of the patients are homeless, have been obtained primarily from federal, state and city programs as well as private sources and various grants.

STCHC makes use of support services offered by neighboring social service agencies, hospitals and the New Orleans medical community. STCHC also lends its support through the provision of specialized laboratory testing, diagnostic services and hospitalization services at low or no cost.

STCHC is governed by a twelve member Board of Directors (the Board), all of whom serve until their resignation or removal from the Board.

In order to assist in meeting its goals and mission of providing services as a primary health care clinic, STCHC has applied for and has been awarded several governmental grants. During the year ended December 31, 2011, STCHC received and administered the following.

GOVERNMENTAL GRANTS

Primary Care Access and Stabilization Grant – This program, administered by the Louisiana Public Health Institute, a non-profit corporation funded through the Department of Health and Hospitals, provides neighborhood-based, integrated health care services to residents in hurricane-affected communities.

Health Resources and Services Administration Grants – These grants, administered by the Department of Health and Human Services and funded by the American Recovery and Reinvestment Act (ARRA) of 2010, are allocated to operational expenses associated with the care of the Medicare, Medicaid and uninsured populations, the purchase of medical exam room equipment, and for providing obstetric care.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

LSU Contracts – These contracts, awarded by Louisiana State University (LSU), provide mammography and breast cancer detection and prevention. The program also provides for comprehensive breast and cervical cancer screening and education services, which may include mammograms, clinical breast exams, pap-tests, and pelvic exams.

PRIVATE FOUNDATION AND TRUST PROGRAMS

Stauffer Trust Estate – The Stauffer Trust Estate, primarily funds the program providing eye, ear, nose and throat care for qualified indigent and uninsured patients at normal costs.

Susan Komen Breast Cancer Foundation – The Susan Komen Breast Cancer Foundation, a private foundation, provides mammography, breast cancer education, and surgical oncology consultation for uninsured and underinsured women in the New Orleans region and surrounding parishes.

Baptist Community Ministries – Baptist Community Ministries is a private foundation with a grant endowment created for the purpose of improving the quality of life for the citizens of the Greater New Orleans region as a healthy community. The foundation's mission is to develop and invest in a variety of strategic and tactical initiatives to improve the health of the community across a broad spectrum of issues.

OTHER

Entergy – Entergy is a corporate sponsor that provides additional grant funding to the Greater New Orleans area.

Blue Cross and Blue Shield of Louisiana Foundation – Blue Cross and Blue Shield of Louisiana, a healthcare insurer, established their foundation to partner with community organizations to provide vital resources to Louisiana communities in need.

Ella West Freeman Foundation – The Ella West Freeman Foundation, funded primarily by the A B Freeman Estate, provides support to health and human service organizations with an emphasis on capital projects for established agencies in the Southeast Louisiana area.

Basis of Reporting – The consolidated financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. The Clinic classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted, and permanently restricted net assets according to externally (donor) imposed restrictions.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Basis of Reporting, (continued) – A description of the three net asset categories is as follows

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of STCHC are included in this category. STCHC has determined that any donor-imposed restrictions for current or developing programs and activities that are generally met within the operating cycle of STCHC and are recorded as unrestricted net assets.
- Temporarily restricted net assets include realized gains and losses on investment income, gifts and contributions for which donor-imposed restrictions have not been met.
- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the investment income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions. As of December 31, 2011, the Clinic had no permanently restricted net assets.

Unrestricted Contributions – Contributions consisted of donations made to STCHC to provide support to the operation of STCHC as well as to fund specific projects as designed by the donor or the Board of Directors.

Governmental Grants – STCHC is the recipient of various government grants. Included in government grant revenues are funds disbursed from several funding sources to provide funds for the implementation of various community programs as well as to support the operations of STCHC.

The method of payment on the grants depends on the grant agreement. Some grants are received on a lump sum basis and expenses are applied against the funds. Other grant expenses are on a cost reimbursement basis.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of St. Thomas Community Health Center, Inc. and its subsidiaries identified below.

- St. Thomas Real Estate, LLC (STRE) was formed solely to acquire, renovate, own and operate the property located at 1936-1938 Magazine Street, New Orleans, LA 70130 (the Property).
- St. Thomas Investments, Inc. (STI) holds a 99.00% membership interest in STRE, and an unaffiliated bank subsidiary (the Master Tenant) holds the remaining 1.00%. STI is wholly-owned by STCHC.

The entities were organized for the purpose of historically rehabilitating the Property in order to expand STCHC's capacity (the Project). The Property and its renovations were funded, in part by New Markets Tax Credits as discussed in Note D.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Use of Estimates – The preparation of consolidated 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition – Revenues received under government grant programs are recognized when earned. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Treatment of patient revenue is discussed in Note G.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand and in banks. For purposes of the consolidated statement of cash flows, the Clinic considers all investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable – STCHC uses the direct write-off method to provide for uncollectible accounts. Management believes use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America. As of December 31, 2011, the balance for accounts receivable was \$409,248.

Donated Medical Supplies, Services, and Facilities – Donated medical supplies are recorded at fair value as received and include medications and related medical supplies donated to STCHC. Donated services are recorded at fair value and recognized as contributions 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 STCHC. Donated facilities are recorded at fair market value in the consolidated statement of activities and change in net assets and include STCHC's parking lot surface, which is not included in STCHC's building lease.

Property and Equipment – Acquisitions of property and equipment are recorded at cost. Improvements and replacements of property and equipment are capitalized at cost and depreciated over the estimated useful life of the improvement or replacement. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the consolidated statement of activities and change in net assets. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The classes of depreciable assets and their respective estimated useful lives are as follows:

Buildings	39 years
Leasehold improvements	15 years
Furniture, fixtures and equipment	10 years

Amortization – Tax credit fees are amortized over the seven-year tax credit period using the straight line method beginning in 2011. Deferred financing fees are amortized over the respective debt period. As of December 31, 2011, amortization expense was \$1,714.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Capitalized Interest – Interest during construction was prorated based on the placed in service date for the building. Capitalized interest incurred and included in property and equipment on the consolidated statement of financial position for the year ended December 31, 2011 was \$26,030. Cash paid during the year for interest was \$144,875.

NOTE B – CASH AND RESTRICTED CASH

Bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the account balance and the ownership capacity of the funds. The coverage on noninterest-bearing accounts is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank. The Clinic utilizes operating accounts at two financial institutions that qualify as noninterest-bearing transaction accounts and are, therefore, fully insured. There were no uninsured deposits as of December 31, 2011.

Restricted Cash – As required by the terms set forth in multiple agreements with the Lenders (identified in Note D), STCHC must maintain certain reserve accounts for the receipt of proceeds from and payment of debt obligations. As of December 31, 2011, these reserves have been established by STCHC for the purposes of the Project and are in accordance with lender agreements. Restricted cash at December 31, 2011 consist of

Rent reserve	\$	584,100
LRA principal reserve		108,432
Bridge loan interest reserve		29,664
Bridge loan deposit account		176
		176
	\$	722,372

Rent Reserve – STCHC transferred funds of \$597,270 from bridge loan proceeds to the rent reserve account. This amount is sufficient to cover 6 years of rent expense. During the initial lease term, STCHC will make annual sub-lease rent payments as discussed in Note D. Payments of interest on notes payable due to the Louisiana Recovery Authority (LRA) and the Louisiana Primary Care Association (LPCA) were also issued from the rent reserve account during 2011.

LRA Principal Reserve – STCHC established a LRA principal reserve account for the purpose of satisfying the loan guaranty as discussed in Note E. The proceeds from the loan guaranty fee are used by STCHC to make principal payments on a note payable to the LRA.

Bridge Loan Interest Reserve – STCHC established a bridge loan interest reserve account to accept payments on the note receivable, in accordance with the terms of the promissory note and loan agreement evidencing the note receivable. From the bridge loan interest reserve, STCHC is making monthly payments of interest on the bridge loan to a financial institution (the Federal NMTC/HTC Investor).

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2011

Land	\$	43,600
Building		4,437,696
Furniture and fixtures		164,090
Computer equipment		88,999
Leasehold improvements		773,941
Medical equipment		<u>568,993</u>
		6,077,319
Accumulated depreciation		<u>(878,811)</u>
		<u>\$ 5,198,508</u>

Depreciation expense was \$211,431 for the year ended December 31, 2011

NOTE D – LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2011

Note payable to Louisiana Primary Care Association (LPCA)	\$	1,904,210
Note payable to Louisiana Recovery Authority (LRA)		1,830,106
Bridge loan payable to the Federal NMTC/HTC Investor		1,090,428
New Markets Tax Credits – Facility A		5,405,715
New Markets Tax Credits – Facility B		<u>1,658,150</u>
		11,888,609
Total debt outstanding		11,888,609
Less current maturities		<u>(1,177,093)</u>
		<u>\$ 10,711,516</u>

On March 28, 2011 (the Closing Date), the Clinic closed on a series of transactions to secure New Markets Tax Credits (NMTC) Facilities as outlined in detail below. In summary, the Bridge Loan funds borrowed by STCHC were passed through a leveraged loan to a bank affiliate (see Note Receivable) and were subsequently passed through and combined with the Federal NMTC/HTC Investor contributions to arrive at the Community Development Entity (CDE). The CDE executed loan agreements with STRE to enter into NMTC Facilities. Finally, notes payable to the LPCA and LRA were entered into by STCHC and proceeds were included in the leverage loan.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE D – LONG-TERM DEBT, (continued)

Bridge Loan – A loan agreement was executed between STCHC and a financial institution in the amount of \$4,190,956, maturing 364 days from the Closing Date, and an interest rate of Wall Street Journal prime + 1 00% with a floor of 5 50%. Interest only is payable monthly, with principal due at maturity. As collateral, STCHC granted to the financial institution a security interest in substantially all its assets. During 2011, STCHC made principal payments totaling \$3,100,528 on this loan. As of December 31, 2011, the unpaid principal balance of this loan is \$1,090,428.

LPCA Loan – A loan agreement was executed between STCHC and the LPCA in the amount of \$1,904,398, maturing 7 years from the Closing Date, and an interest rate of 1 00%. Interest only is payable monthly, with principal due at maturity.

At any time after the 7th anniversary of the Closing Date, the LPCA can put to STCHC the outstanding balance of the loan in exchange for \$1,000 plus any accrued but unpaid interest on the loan.

LRA Loan – A loan agreement was executed between STCHC and the LRA, a division of the State of Louisiana's Office of Community Development (the OCD), in the amount of \$2,000,000 of which \$1,830,106 was funded at December 31, 2011, maturing 20 years from the Closing Date, and an interest rate of 1 00%. Interest only is payable monthly until February 2012, when principal and interest payments will begin monthly until the maturity date. The unpaid principal balance and interest is due at maturity.

The lender has the option to forgive 50% of the outstanding principal amount of the loan as of the repayment date if the Property's business is conducted during normal business hours; the Property's maintenance is in compliance with applicable building codes and regulations; and the Project has created 20 or more new permanent full-time equivalent jobs.

As collateral, STCHC granted to the OCD a continuing security interest in substantially all its assets.

Note Receivable – A leveraged loan agreement was executed between an affiliate of the Federal NMTC/HTC Investor and STCHC in the amount of \$5,405,715, maturing 40 years from the Closing Date, and a holiday interest of 0 00% with subsequent interest of 0 72% (the Leveraged Loan). Interest only is receivable monthly, with principal due at maturity. The Federal NMTC/HTC Investor has pledged and granted a security interest to STCHC for substantially all assets of its entities involved in the financing transactions on the Closing Date. The leveraged loan collaterally assigns all present and future payments, distributions (cash or otherwise), proceeds, profits, income, compensation, property, assets and rights due or to become due and payable to STCHC in connection with all of the Federal NMTC/HTC Investor's membership interest.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE D – LONG-TERM DEBT, (continued)

New Markets Tax Credits Facilities – Loan agreements were executed between STRE and the CDE Facilities A and B were funded for \$5,405,715 and \$1,658,150, respectively, both maturing 40 years from the Closing Date, and a holiday interest of 0.48% in year one with subsequent interest of 1.03%. Interest only is payable monthly, with principal amortization payments due monthly over the last 33 years of the loans. Proceeds from these loans financed the Project.

The CDE funded the New Markets Tax Credits Facilities with the intention that the proceeds will qualify as a “qualified low-income community investment” (QLICI) for purposes of generating tax credits called New Markets Tax Credits (NMTCs) under section 45D of the Internal Revenue Code of 1986, as amended. The tax credits provide 27 percent of the qualified equity investment and are claimed over a seven year credit allowance period.

To qualify, STRE must comply with certain guarantees and certain reserves, including but not limited to, business operations in compliance with applicable NMTCs program rules and regulations, qualified construction and development, required insurance coverage, and maintenance of required reserves.

If, as a result of a breach of the agreements or loan documents by STRE, the CDE is required to recapture all or any part of the New Markets Tax Credits previously claimed by the Federal NMTC/HTC Investor, STRE agrees to pay to the applicable Federal NMTC/HTC Investor an amount equal to the sum of the credits recaptured. The maximum aggregate amount due under the clause in the agreements governing these recaptures is \$7,063,865 for STRE.

At the end of the seven year tax credit compliance period, the Federal NMTC/HTC Investor may exercise a put option during the 6-month put option period (the Put Option Period) whereby the Federal NMTC/HTC Investor will tender the NMTCs Facilities to STCHC for the put price of \$1,000. In the event the Federal NMTC/HTC Investor does not exercise the put and STRE remains in compliance with the loan terms and the NMTCs rules and regulations, STCHC may exercise a call option during the six months following the Put Option Period to purchase the NMTCs Facilities for an amount equal to the loans’ fair market value determined by mutual agreement among the parties or a qualified independent appraiser.

Sale of the Property – STCHC sold the Property to STRE for \$850,000 plus reimbursement of \$170,412 of development costs expended on the Project. STCHC used the proceeds from the transaction to partially repay the Bridge Loan. STRE rehabilitated the Property in a manner that qualified for the rehabilitation tax credit (the Historic Tax Credit) under section 47 of the Internal Revenue Code of 1986, as amended.

Allocation of Federal Historic Tax Credits – STRE expects to receive \$1,196,934 of Federal Historic Tax Credits (FHTCs) under section 47 of the Internal Revenue Code for qualified rehabilitation expenditures it made to the Property. STRE’s Members agree that these credits will be allocated to the Federal NMTC/HTC Investor in exchange for five annual equity installments of \$189,558 by the Federal NMTC/HTC Investor after Part III Certification of FHTCs is received.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE D – LONG-TERM DEBT, (continued)

Lease – STRE entered into a net lease agreement with an unaffiliated bank subsidiary to lease the Property for annual lease payments of \$81,000. The lease term begins in 2012 and extends for three years with the option to renew.

Sublease – STCHC entered into a triple net lease agreement with an unaffiliated bank subsidiary to sublease the Property for annual lease payments of \$84,983 the first year, \$88,774 the second year and \$92,565 the third year. The lease term begins in 2012 and extends for three years with the option to renew. The funds required to make the sub-lease payments were set aside in the Rent Reserve by STCHC at closing.

Long-term debt outstanding at December 31, 2011 matures as follows:

<u>Year Ending</u>	
2012	\$ 1,177,093
2013	86,665
2014	86,665
2015	86,665
2016	86,665
Thereafter	10,364,856
	\$ 11,888,609

Interest expense was \$118,845 for the year ended December 31, 2011.

NOTE E – RELATED PARTY TRANSACTIONS

Loan Guaranty Fee – STRE will make annual loan guaranty fee payments to STCHC (as guarantor on the notes payable of \$7,063,865 to CDE). The annual loan guaranty fee payments will be approximately \$140,000 for six years, and shall be payable annually over the seven year compliance period, with the first such payment of \$108,548 being due at Closing. As of December 31, 2011, STRE made the required payment to STCHC.

Incentive Management Fee – To the extent there is Available Cash Flow as defined in the Management Agreement, STRE shall pay to STCHC an incentive management fee annually amounting to 10% of STRE's gross revenue to compensate for STCHC's management of STRE's operations and assets and coordinating the preparation of the required LHFA, federal, state, and local tax and other required filings and financial reports. As of December 31, 2011, no incentive management fee was incurred.

Deferred Development Fee – The development fee is incurred through services rendered by the developer, STCHC, in coordinating the planning, architectural, engineering and construction of the Project, and shall be capitalized to the depreciable basis of the Property. As of December 31, 2011, STRE has incurred development fees in the amount of \$1,177,294.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE F – ECONOMIC DEPENDENCY

The primary source of revenue for STCHC is federal, state and local grants and contracts provided through various funding agencies. The continued success of STCHC is dependent upon the renewal of contracts from current funding sources as well as STCHC's ability to obtain new funding.

NOTE G – PATIENT REVENUES

Net Patient Service Revenue – STCHC provides medical assistance to eligible Medicaid and Medicare recipients and receives reimbursements from the State of Louisiana's Department of Health and Hospitals and the U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) for claims submitted in conjunction with those services provided. For the year ended December 31, 2011, STCHC received \$805,596 in reimbursements for Medicaid and Medicare claims submitted. STCHC also received \$1,885,485 of Medicaid funds from the Greater New Orleans Community Health Connection (GNOCHC) waiver program. The GNOCHC program period is from October 2010 to December 2013.

Third Party Reimbursements – STCHC has agreements with Medicare and Medicaid fiscal intermediaries to provide home and health service to qualified patients. Medicare and Medicaid account for approximately 43% of STCHC's total support and revenue for the year ended December 31, 2011.

The Medicare intermediary for Medicare patients reimburses for services rendered to Medicare program beneficiaries under an allowable cost reimbursement formula that is subject to audit and retroactive adjustments. Management does not believe that the ultimate outcome of any cost report audit will have a significant impact on the Clinic's consolidated financial statements.

In addition to Medicare and Medicaid patient revenues, STCHC also received patient insurance payments.

NOTE H – PENSION PLAN

Effective January 1, 2006, STCHC established the St. Thomas Community Healthcare Center Retirement Plan (the Plan), a 401(k) Plan. Employees over the age of 18, who have worked for STCHC for more than 90 days, and have 1,000 hours of service in a plan year, are eligible to participate in the Plan. Plan expenses may be paid by STCHC or by the Plan. Matching contributions are determined annually by STCHC. STCHC matches 100% of employee contributions up to 6% of gross pay. For the year ended December 31, 2011, STCHC incurred \$85,073 administrative costs and matching contributions related to the Plan.

NOTE I – INCOME TAXES

STCHC is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE I – INCOME TAXES, (continued)

STRE, with the consent of its members, has elected to be a limited liability company. In lieu of corporation income taxes, the members of the limited liability company are taxed on their proportionate share of each member's taxable income. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

STI, with the consent of its member, has elected to be taxed as a "C" corporation and accounts for income taxes under an asset and liability approach that recognizes deferred income tax assets and liabilities for the estimated future tax consequences of differences between the financial statements and tax bases of assets and liabilities. As of December 31, 2011, no deferred taxes or income taxes have been included in the consolidated financial statements due to STI's net loss position.

Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the consolidated financial statements.

NOTE J – COMMITMENTS AND CONTINGENCIES

Operating Leases – Exclusive of the lease and sublease referenced in Note D, STCHC is obligated as a lessee under various operating leases. Total rent expense for operating leases related to facilities and equipment was \$126,664 for the year ended December 31, 2011.

The following schedule details future minimum lease payments annually for five years as of December 31, 2011, for operating leases with initial or remaining lease terms in excess of one year.

<u>Year Ending</u>	
2012	\$ 87,000
2013	87,000
2014	87,000
2015	87,000
2016	87,000

Commitments – STCHC is a recipient of several grants and awards of federal and state funds. These grants and awards are governed by various federal and state guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by these grants and awards is under the contract and administration of STCHC and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

Contingencies – Certain claims, suits and complaints arising in the ordinary course of operations have been filed or are pending against STCHC. In the opinion of management, all such matters are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of STCHC if disposed of unfavorably.

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, May 25, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

OTHER REPORTS AND SUPPLEMENTARY SCHEDULES

ST THOMAS COMMUNITY HEALTH CENTER, INC AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2011

	St. Thomas Community Health Center, Inc	St. Thomas Investments, LLC	St. Thomas Real Estate, LLC	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash	\$ 685,008	\$ 24	\$ 1,135,604	\$ -	\$ 1,820,636
Grants receivable	127,187	-	-	-	127,187
Accounts receivable	409,248	-	-	-	409,248
Prepaid expenses and other assets	599,239	-	2,971	(345,998)	56,212
Total current assets	1,820,682	24	1,138,575	(345,998)	2,413,283
RESTRICTED CASH	722,372	-	-	-	722,372
PROPERTY AND EQUIPMENT, net	546,423	-	5,829,379	(1,177,294)	5,198,508
OTHER ASSETS					
Deferred financing fees, net	-	-	549,879	-	549,879
Tax credit fees, net	-	-	271,292	-	271,292
Note receivable	5,405,715	-	-	-	5,405,715
Total other assets	5,405,715	-	821,171	-	6,226,886
TOTAL ASSETS	\$ 8,495,192	\$ 24	\$ 7,789,125	\$ (1,723,292)	\$ 14,561,049
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 197,203	\$ -	\$ 869,648	\$ (345,998)	\$ 520,853
Due to plan trustee	4,681	-	-	-	4,681
Current maturities of long-term debt	1,177,093	-	-	-	1,177,093
Total current liabilities	1,378,977	-	869,648	(345,998)	1,702,627
LONG-TERM DEBT, net of current maturities	3,647,651	-	7,063,865	-	10,711,516
NET ASSETS					
Unrestricted	3,259,335	24	(152,398)	(1,177,294)	1,929,667
Noncontrolling interest	-	-	8,010	-	8,010
Total unrestricted net assets	3,259,335	24	(144,388)	(1,177,294)	1,937,677
Temporarily restricted	209,229	-	-	-	209,229
Total net assets	3,468,564	24	(144,388)	(1,177,294)	2,146,906
TOTAL LIABILITIES AND NET ASSETS	\$ 8,495,192	\$ 24	\$ 7,789,125	\$ (1,723,292)	\$ 14,561,049

See accompanying independent auditors' report

ST THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	St Thomas Community Health Center, Inc	St Thomas Investments, LLC	St Thomas Real Estate, LLC	Eliminations	Consolidated
Operating revenues					
Contributions	\$ 42,514	\$ -	\$ -	\$ -	\$ 42,514
Grant revenues	1,715,194	-	-	-	1,715,194
Patient revenues	149,356	-	-	-	149,356
Medicare and Medicaid	2,691,081	-	-	-	2,691,081
Program reimbursements	358,228	-	-	-	358,228
Private insurance	98,276	-	-	-	98,276
Donated medical supplies	195,197	-	-	-	195,197
Donated facilities	18,000	-	-	-	18,000
Donated services	135,039	-	-	-	135,039
Other revenues	1,292,740	-	-	(1,285,842)	6,898
Total operating revenues	6,695,625	-	-	(1,285,842)	5,409,783
Operating expenses					
Health care	3,901,381	-	-	-	3,901,381
Management and general	2,334,423	-	156,463	(108,548)	2,382,338
Total operating expenses	6,235,804	-	156,463	(108,548)	6,283,719
Nonoperating expenses					
Loss on equity investments	2,500	2,500	-	(5,000)	-
Total nonoperating expenses	2,500	2,500	-	(5,000)	-
Excess of expenses over revenues	457,321	(2,500)	(156,463)	(1,172,294)	(873,936)
Less: excess of expenses over revenues attributable to noncontrolling interest	1,565	-	(1,565)	-	-
Excess of expenses over revenues attributable to the Clinic	\$ 455,756	\$ (2,500)	\$ (154,898)	\$ (1,172,294)	\$ (873,936)

See accompanying independent auditors' report

Silva Gurtner & Abney

Certified Public Accountants & Consultants

Brent A. Silva, CPA
Craig A. Silva, CPA*
Thomas A. Gurtner, CPA*
Kenneth J. Abney, CPA, MS Tax*
*Limited Liability Company

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
St. Thomas Community Health Center, Inc. and Subsidiaries
New Orleans, Louisiana

We have audited the consolidated financial statements of St. Thomas Community Health Center, Inc. and Subsidiaries (the Clinic) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 25, 2012. 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 the Clinic's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control over financial reporting.

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 Clinic's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clinic's consolidated 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 consolidated 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 Board of Directors, management, the Legislative Auditor of the State of Louisiana, federal and state awarding agencies, and pass-through entities and it is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

May 25, 2012

Silva Gurtner & Abney

Certified Public Accountants & Consultants

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Craig A. Silva, CPA*
Thomas A. Gurtner, CPA*
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133

To the Board of Directors of
St. Thomas Community Health Center, Inc. and Subsidiaries
New Orleans, Louisiana

Compliance

We have audited the compliance of St. Thomas Community Health Center, Inc. and Subsidiaries (the Clinic) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2011. The Clinic's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Clinic's management. Our responsibility is to express an opinion on the Clinic's compliance based on our audit.

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

In our opinion, St. Thomas Community Health Center, Inc. and Subsidiaries complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

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Internal Control Over Compliance

The management of the Clinic is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Clinic's internal control over compliance with requirements that could have a direct and material effect on the 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 of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clinic'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 or state 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 or state program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor of the State of Louisiana, federal and state awarding agencies, and pass-through entities and it is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

May 25, 2012

ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Grantor/ Pass through Grantor Program Title	CFDA Number	Expenditures
EXPENDITURES OF FEDERAL AWARDS		
<i>Awards made directly to St. Thomas Community Health Center, Inc. –</i>		
U.S Department of Health and Hospitals		
Direct Award through Health Resources and Services Administration:		
ARRA – Health Center Integrated Services Development Initiative, Recovery Act Health Center Cluster Program Grant	93 703	\$ 16,645
Capital Improvement Program	93 703	176,256
Increase Services to Health Centers	93 703	43,819
Health Center Cluster	93 224	671,214
Passed through Louisiana Public Health Institute:		
Centers for Medicare and Medicaid Services (CMS) Research, Primary Care Access and Stabilization Grant	93 779	111,264
Passed through Louisiana State University		
Centers for Disease Control and Prevention National Cancer Prevention and Control Program	93 283	<u>57,370</u>
Total expenditures of federal awards		<u><u>\$ 1,076,568</u></u>
EXPENDITURES OF STATE AWARDS		
<i>Awards made directly to St. Thomas Community Health Center, Inc. –</i>		
Passed through Louisiana State University		
Louisiana State University Health Care Services Division Interim Louisiana State University		<u>\$ 12,470</u>
Total expenditures of state awards		<u><u>\$ 12,470</u></u>

Notes to Schedule of Expenditures of Federal and State Awards

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of St. Thomas Community Health Center, Inc. and Subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditors' report

**ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

PART I – SUMMARY OF AUDITORS' RESULTS

- 1 Type of report issued on the consolidated financial statements **Unqualified.**
- 2 Did the audit disclose any reportable conditions in internal control **None Reported.**
- 3 Were any of the reportable conditions material weaknesses **Not Applicable.**
- 4 Did the audit disclose any noncompliance which is material to the consolidated financial statements of the organization **None Reported.**
- 5 Did the audit disclose any reportable conditions in internal control over major programs **None Reported.**
- 6 Were any of the reportable conditions in internal control over major programs material weaknesses **Not Applicable.**
- 7 Type of report issued on compliance for major programs **Unqualified**
- 8 Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a) **None reported**
- 9 The following is an identification of major programs

Health Center Cluster, CFDA #93.224
- 10 The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was **\$300,000.**
- 11 Did the auditee qualify as low-risk under OMB Circular A-133, Section 530 **Yes.**

PART II – CONSOLIDATED FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There are neither findings nor questioned costs

PART III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are neither findings nor questioned costs

**ST. THOMAS COMMUNITY HEALTH CENTER, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010**

PART II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There are neither findings nor questioned costs

PART III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are neither findings nor questioned costs