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**RAPIDES PRIMARY HEALTH  
CARE CENTER, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FEBRUARY 28, 2007  
(WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2006)**

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

Release Date 9-12-07

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
February 28, 2007  
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**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Rapides Primary Health Care Center, Inc.  
Alexandria, Louisiana

We have audited the accompanying statements of financial position of Rapides Primary Health Care Center, Inc. (a nonprofit organization) as of February 28, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2006 financial statements and, in our report dated August 25, 2006, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rapides Primary Health Care Center, Inc., as of February 28, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2007, on our consideration of the organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Banks, Finley, White & Co.*  
June 29, 2007

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Statement of Financial Position  
February 28, 2007  
(With summarized Financial Information for 2006)

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash	\$ 39,314	\$ 41,869
Patient care receivables, less allowance of \$(292,964) for doubtful accounts	799,514	701,617
Grants receivable	825,000	-
Employee advances	18,238	17,155
Total Current Assets	<u>1,682,066</u>	<u>760,641</u>
Fixed Assets:		
Land	28,639	28,039
Building and improvements	1,144,398	1,125,335
Furniture and equipment	460,515	450,731
	<u>1,633,552</u>	<u>1,604,105</u>
Less: Accumulated depreciation	<u>(574,031)</u>	<u>(500,847)</u>
Net Fixed Assets	<u>1,059,521</u>	<u>1,103,258</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,741,587</u></b>	<b><u>\$ 1,863,899</u></b>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 81,009	\$ 84,075
Payroll taxes payable	392,769	277,213
Other payroll deductions payable	181	19,988
Salaries payable	40,330	34,357
Accrued annual leave	7,482	1,559
Other liabilities	1,642	1,642
Current portion of long term debt	60,835	36,085
Total Current Liabilities	<u>584,248</u>	<u>454,919</u>
Long-Term Liabilities		
Notes payable	<u>252,066</u>	<u>265,422</u>
Total Long-Term Liabilities	<u>252,066</u>	<u>265,422</u>
Total Liabilities	<u>836,314</u>	<u>720,341</u>
Net Assets:		
Unrestricted		
Undesignated (Operating)	381,993	401,541
Fixed assets	698,280	742,017
Temporarily restricted	825,000	-
Total Net Assets	<u>1,905,273</u>	<u>1,143,558</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,741,587</u></b>	<b><u>\$ 1,863,899</u></b>

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Statement of Activities  
For the Year Ended February 28, 2007  
(With Summarized Financial Information for 2006)

	<u>2007</u>	<u>2006</u>
<b>SUPPORT AND REVENUES (Note 2)</b>		
Support:		
Federal grants and contracts	\$ 550,686	\$ 548,200
State grants and contract	<u>851,505</u>	<u>23,750</u>
Total Support	<u>1,402,191</u>	<u>571,950</u>
Revenue:		
Health care services, net of charity, bad debts and contractual adjustments of \$297,998	1,092,090	1,202,305
Contributions (Note 13)	20,910	38,448
Interest income	128	592
Other income	<u>18,620</u>	<u>22</u>
Total Revenue	<u>1,131,748</u>	<u>1,241,367</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>2,533,939</u>	<u>1,813,317</u>
<b>EXPENSES</b>		
Program Services		
Medical services	826,790	827,021
Dental services	<u>346,053</u>	<u>316,696</u>
Total Program Services	<u>1,172,843</u>	<u>1,143,717</u>
Supporting Services		
Management and general	<u>563,508</u>	<u>540,688</u>
Total Supporting Services	<u>563,508</u>	<u>540,688</u>
<b>TOTAL EXPENSES</b>	<u>1,736,351</u>	<u>1,684,405</u>
Change in net Assets	797,588	128,912
Net Assets, Beginning of Year	1,143,558	1,014,646
Prior period adjustment	<u>(35,873)</u>	<u>-</u>
Net Assets, as restated	<u>1,107,685</u>	<u>1,014,646</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,905,273</u>	<u>\$ 1,143,558</u>

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Statement of Cash Flows  
For the Year Ended February 28, 2007  
(With Summarized Financial Information for 2006)

## CASH FLOWS USED FOR OPERATING ACTIVITIES:

	<u>2007</u>	<u>2006</u>
Changes in Net Assets	\$ 797,588	\$ 128,912
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Prior period adjustment	(35,873)	-
Depreciation expense	73,184	81,036
Bad debt expense	230,000	58,351
Decrease (increase) in:		
Patient care receivables	(327,897)	(337,286)
Employee advances	(1,083)	2,760
Grants receivable	(825,000)	-
Increase (decrease) in:		
Accounts payable	(3,066)	(23,181)
Payroll taxes payable	115,556	176,697
Other payroll deductions payable	(19,807)	10,102
Salaries payable	5,973	4,002
Accrued annual leave	5,923	-
NET CASH PROVIDED BY( USED IN) OPERATING ACTIVITIES	<u>15,498</u>	<u>101,393</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	<u>(29,447)</u>	<u>(111,520)</u>
NET CASH PROVIDED BY(USED IN) INVESTING ACTIVITIES	<u>(29,447)</u>	<u>(111,520)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on long-term debt	<u>11,394</u>	<u>(59,734)</u>
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	<u>11,394</u>	<u>(59,734)</u>
NET INCREASE (DECREASE) IN CASH	(2,555)	(69,861)
CASH, BEGINNING OF YEAR	<u>41,869</u>	<u>111,730</u>
CASH, END OF YEAR	<u>\$ 39,314</u>	<u>\$ 41,869</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid for the period	<u>\$ 26,406</u>	<u>\$ 23,902</u>

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

## EXHIBIT IV

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
 Schedule of Functional Expenses  
 For the Year Ended February 28, 2007

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>		
	<u>Medical Services</u>	<u>Dental Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>2007 Total Expenses</u>	<u>2006 Total Expenses</u>
Personnel	\$ 480,326	118,231	598,557	320,924	\$ 919,481	\$ 914,251
Fringe benefits	81,528	20,366	101,894	54,854	156,748	167,746
Travel	20,553	10,161	30,714	10,191	40,905	33,930
Supplies	32,971	11,404	44,375	8,432	52,807	59,937
Equipment rental	5,138	2,569	7,707	2,569	10,276	8,822
Contractual	59,769	110,836	170,605	37,277	207,882	192,690
Accounting and audit	11,489	5,745	17,234	5,745	22,979	-
Legal	1,513	756	2,269	756	3,025	-
Dues and subscriptions	1,141	570	1,711	570	2,281	15,368
Utilities	12,650	6,325	18,975	6,325	25,300	27,644
Equipment repairs & maint.	2,181	11	2,192	11	2,203	4,033
Building repairs & maint.	11,049	5,410	16,459	5,410	21,869	27,722
Insurance	14,874	11,931	26,805	4,816	31,621	11,415
Staff recruitment	7,495	187	7,682	820	8,502	13,909
Advertisement	8,085	3,683	11,768	3,683	15,451	14,305
Security	175	88	263	88	351	273
Training and development	7,530	3,765	11,295	3,765	15,060	7,361
Telephone	22,862	11,431	34,293	11,431	45,724	43,463
Postage	2,136	1,068	3,204	1,068	4,272	2,943
Printing	958	22	980	22	1,002	1,146
Space cost	1,378	689	2,067	689	2,756	3,436
Interest	-	-	-	26,406	26,406	23,902
Bank charges	491	245	736	245	981	1,143
Waste removal	270	270	540	-	540	898
Board expenses	600	-	600	25,491	26,091	5,456
Janitorial services	391	196	587	206	793	810
Property and other taxes	604	302	906	302	1,208	-
Other	2,031	1,490	3,521	13,132	16,653	20,610
Total expenses before depreciation	790,188	327,751	1,117,939	545,228	1,663,167	1,603,213
Depreciation	36,602	18,302	54,904	18,280	73,184	81,036
Total Expenses	\$ 826,790	346,053	1,172,843	563,508	\$ 1,736,351	\$ 1,684,249

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2007

NOTE 1 - ABOUT THE ORGANIZATION

Rapides Primary Health Care Center, Inc., (the "Center"), a non-profit corporation was incorporated in the State of Louisiana on May 19, 1992. The Center was organized to provide efficient and effective health care through the operation of a health deliver system designed to meet the medical needs of the community i.e., early detection diagnosis, and treatment of illness and injuries; to facilitate an understanding of the desirability of initiating a program of preventive medicine; and to generally improve and promote the improvement of the community, civilly and socially. The Center provides comprehensive primary health care to area residents, with particular care for the social-economically disadvantaged. The area served is Central Louisiana. The services are provided through an outpatient Center with a referral program, health education, and limited medical services for hospitalization.

The fiscal year of the Center is March 1 through February 28.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Rapides Primary Health Care Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Functional Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.



RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2007

G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. The following estimated useful lives are generally used:

Building	40 years
Furniture and fixtures	5 - 20 years
Equipment	5 - 15 years
Software	3 - 5 years

Expenses for additions, major renewals and betterments are capitalized and expenses for maintenance and repairs and charged to operations as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited as charged to operations currently.

Asset acquired with a unit cost of \$250 is capitalized and depreciated over their estimated useful lives.

Repairs and Improvements to real property with a unit cost of \$1,000 is capitalized and depreciated over the estimated remaining life of the real property.

I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

J. Employees' Annual Leave - The Center charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned. At February 28, 2006, employees had \$7,482 in accrued vacation benefits, which are reflected in the financial statements.

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2007

- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.
- M. Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**NOTE 3 - FINANCIAL INSTRUMENTS**

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

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

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

	Carrying Amount	Fair Value
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 39,314	\$ 39,314
<b>Financial liabilities:</b>		
Note payable, current portion	\$ 60,835	\$ 60,835
Note payable	\$ 252,066	\$ 252,066

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

The Center maintains its cash balances in three (3) financial institutions located in Alexandria, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At February 28, 2007, the Center's cash balances were fully insured.

**NOTE 5 - PATIENT RECEIVABLES**

The amount of net patient care receivable at February 28, 2007 was \$1,385,442. Management feels that the actual collectability of the accounts receivable from patients will be realized in the amount as shown in the statement of financial position.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2007

NOTE 6 - FIXED ASSETS

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

<u>Assets</u>	Balance at 03/01/06	Additions	Deletions	Balance at 2/28/07
Land	\$ 28,039	600	-	\$ 28,639
Buildings and Improvements	1,125,335	19,063	-	1,144,398
Furniture and Equipment	412,894	9,784	-	422,678
Computer software	37,837	-	-	37,837
Total	1,604,105	29,447	-	1,633,552
Less: Accumulated Depreciation	(500,847)	(73,184)	-	(574,031)
Net Fixed Assets	<u>\$ 1,103,258</u>	<u>(43,737)</u>	<u>-</u>	<u>\$1,059,521</u>

Depreciation expense for the year ended February 28, 2007 totaled \$73,184.

NOTE 7 - CORPORATE INCOME TAXES

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

NOTE 8 - RETIREMENT PLAN

The Center has a Simple IRA plan that was established on August 28, 2002. The Plan is a tax-deferred retirement plan where each employee establishes an IRA account. Both the employee and employer contributions are deposited in the account. The Center makes matching contributions up to three (3) percent of an employee's compensation. For the year ended February 28, 2007, the Center incurred \$20,940 in pension expense, which is recorded in employees benefits.

NOTE 9 - COMMITMENT AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at February 28, 2007 in the amount of \$7,482 is included in the financial statements. See Note 2.J. above.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2007

NOTE 10 - SUMMARY OF FUNDING AND SUPPORT

Rapides Primary Health Care Center's operations are funded through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Department of Health and Human Service	6H80CS00244-05-02	3/1/06- 2/28/07	\$ 550,686
Louisiana State Department of Health and Hospitals	N/A	3/1/06-2/28/07	<u>26,505</u>
TOTAL			<u>\$ 577,191</u>

NOTE 11 - NOTES PAYABLE

Notes payable at February 28, 2007, consists of the following:

Note payable with Bank One at 6% interest, payable in 120 installments of principal and interest of \$1,927, matures November 2013, secured by equipment.	\$ 124,425
Note Payable with Rapides Finance Authority at 10% interest, payable in 120 installments of principal and interest of \$2,225, matures November 2013, secured by real estate and moveable equipment.	<u>188,475</u>
	<u>\$ 312,900</u>

The annual requirement to amortize all loans outstanding as of February 28, 2007 are as follows:

Year ended February 28	Bank One	Rapides Finance Authority	Total
2008	\$ 16,033	44,801	\$ 60,834
2009	17,022	17,355	34,377
2010	18,072	19,173	37,245
2011	19,187	21,180	40,367
2012	20,370	23,398	43,768
Thereafter	<u>33,741</u>	<u>62,568</u>	<u>96,309</u>
Total	<u>\$ 124,425</u>	<u>188,475</u>	<u>\$ 312,900</u>

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2007

**NOTE 12 -CONTINGENCIES**

Rapides Primary Health Care Center, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers and other insurance coverage in amounts the Center believes to be adequate. The Center requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

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

**NOTE 13 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS**

Approximately 27% of the Center's funding is provided from grants from the U.S. Department of Health and Human Services.

**NOTE 14 - SUMMARIZED 2006 FINANCIAL INFORMATION**

The statement of activities includes 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 February 28, 2006 from which the summarized information was derived.

**NOTE 15 - PRIOR PERIOD ADJUSTMENT**

Net assets at the beginning of 2006 have been adjusted. Adjustment was made to restate the net balance for the Rapides Finance Authority, this balance was understated by \$35,873 at February 28, 2006.

SUPPLEMENTARY INFORMATION

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended February 28, 2007

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Program:			
Bureau of Primary Health Care			
Health Centers Cluster	93.224	6-H80CS00244-05-02	\$ <u>550,686</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>550,686</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>550,686</u>

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended February 28, 2007

**BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by Rapides Primary Health Care Center, Inc. for the year ended February 28, 2007, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between Rapides Primary Health Care Center, Inc. and the federal government and sub-awards from non-federal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of Rapides Primary Health Care Center, Inc., it is not intended to and does not present either the financial position or the changes in net assets of Rapides Primary Health Care Center, Inc.





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

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of  
Rapides Primary Health Care Center, Inc.  
Alexandria, Louisiana

We have audited the financial statements of Rapides Primary Health Care Center, Inc., (a non-profit organization) as of and for the year ended February 28, 2007, and have issued our report thereon dated June 29, 2007. 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 Rapides Primary Health Care Center, Inc.'s, internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rapides Primary Health Care Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Rapides Primary Health Care Center, Inc. in a separate letter dated June 29, 2007.

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

Bank, Finley, White & Co.  
June 29, 2007



# BANKS, FINLEY, WHITE & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of  
Rapides Primary Health Care Center, Inc.  
Alexandria, Louisiana

### Compliance

We have audited the compliance of Rapides Primary Health Care Center, Inc., (a non-profit organization) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended February 28, 2007. Rapides 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rapides Primary Health Care Center, Inc.'s management. Our responsibility is to express an opinion on Rapides Primary Health Care Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States; 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 Rapides Primary Health Care Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rapides Primary Health Care Center, Inc.'s compliance with those requirements.

In our opinion, Rapides Primary Health Care Center, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 28, 2007.

### Internal Control Over Compliance

The management of Rapides Primary Health Care Center, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rapides Primary Health Care Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purposes of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Banks Finley, White & Co.*

June 29, 2007

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Auditee's Summary Schedule of Prior Audit Findings  
Year Ended February 28, 2007

There were no findings noted in the 2006 audited financial statements.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
 Schedule of Findings and Questioned Costs  
 Year Ended February 28, 2007

Section 1: Summary of Auditor's Results

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

**Federal Awards:**

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

Section 2 - Finding Financial Statements Audit

**NONE**

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

**NONE**

**RAPIDES PRIMARY HEALTH  
CARE CENTER, INC.**

**MANAGEMENT LETTER**

**FOR THE YEAR ENDED  
FEBRUARY 28, 2007**



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

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of  
Rapides Primary Health Care Center, Inc.  
Alexandria, Louisiana

In planning and performing our audit of the financial statements of Rapides Primary Health Care Center, Inc., for the year ended February 28, 2007, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated June 29, 2007 on the financial statements of Rapides Primary Health Care Center, Inc.

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

**Federal Payroll Tax Liability**

Condition

During our audit, we noted that the Center had an outstanding federal payroll tax liability, which is excessive considering the amount of payroll expense for salaries. Penalties and interest are incurred, which require the use of the Center's valuable financial resources that would otherwise be available for use. Additionally, such disbursements for tax penalties and interest is disallowed and cannot be charged to a federal grant.

Recommendation

Internal administrative controls should be implemented to ensure that all federal payroll tax deposits are made in a timely manner to avoid any related penalty and interest charges that will result from the failure to make such timely deposit. Additionally, an effort should be made to pay the outstanding federal tax liability balance off as soon as possible to minimize the penalties and interest charges being assessed by the Internal Revenue Service.

Center's Response and Corrective Action Plan

Federal law prevents the Center from turning away patients that do not have the ability to pay, whenever the patient comes to the Center seeking services. It should be noted that 32% of the population in our service area have household incomes under \$20,000. A number of our patients either pay slow or pay a minimal amount on a monthly basis until they can pay their balances out. Because of this the collection is slow.



The Center has proposed a plan to the IRS to payoff the taxes in one year. As a backup plan, the Center plans to borrow the funds and payoff the taxes within the next two months. The IRS promised to provide a response within the next week.

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

*Barbara Finley White & Co.*

June 29, 2007