



**Desoto Healthcare
Center, Inc.**



Compiled Financial Statements

Year Ended December 31, 2017

Desoto Healthcare Center, Inc.

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Independent Accountant's Compilation Report

To the Board of Directors
Desoto Healthcare Center, Inc.
Mansfield, Louisiana

Management is responsible for the accompanying financial statements of DeSoto Healthcare Center, Inc. (a nonprofit organization) (the "Center"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related summary of significant accounting policies and notes to financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Supplementary Information

The accompanying schedule of compensation, benefits, and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. The information was subject to my compilation engagement, but I have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

A handwritten signature in blue ink that reads 'James K. McClelland, CPA LLC'.

Certified Public Accountant

Shreveport, Louisiana
August 27, 2018

Desoto Healthcare Center, Inc.

Statement of Financial Position

December 31, 2017

Assets

Current assets:

| | |
|--|----------|
| Cash | \$ 5,190 |
| Accounts receivable, net of allowance for doubtful accounts of \$51,373 | 28,790 |

Total current assets 33,980

Property and equipment, net (Note 1) 272,930

Total Assets **\$306,910**

Liabilities and Net Assets

Current Liabilities

| | |
|--|----------|
| Accounts payable and accrued expenses | \$ 3,538 |
| Grants repayable (Note 5) | 19,476 |
| Current portion of long-term debt (Note 3) | 168,404 |

Total current liabilities 191,418

Long-term debt (Notes 2 and 3) 47,216

Total liabilities 238,634

Net assets:

| | |
|------------------------|--------|
| Temporarily restricted | 21,696 |
| Unrestricted | 46,580 |

Total net assets 68,276

Total Liabilities and Net Assets **\$306,910**

See accompanying independent accountant's compilation report, summary of significant accounting policies and notes to financial statements.

Desoto Healthcare Center, Inc.

Statement of Activities

Year Ended December 31,

2017

Unrestricted net assets

Unrestricted revenues and other support:

| | |
|--|----------------|
| Medical service fees | \$258,760 |
| Rent income | 8,000 |
| Other | 3,529 |
| Electronic Health Record incentive payments | 1,041 |
| Contributions | 35 |
| Total unrestricted revenues and other support | 271,365 |
| Expenses: | |
| Salary and benefits | 162,871 |
| Insurance | 14,751 |
| Utilities | 13,269 |
| Payroll taxes | 13,125 |
| Office supplies and expenses | 12,700 |
| Medical service expenses | 10,901 |
| Depreciation and amortization | 10,650 |
| Interest expense | 10,475 |
| Professional services | 9,055 |
| Licenses and permits | 4,384 |
| Billing expense | 3,402 |
| Repairs and maintenance | 1,945 |
| Bank fees and charges | 1,886 |
| Other | 984 |
| Dues and memberships | 819 |
| Education and training | 440 |
| Total expenses | 271,657 |

(Continued)

Desoto Healthcare Center, Inc.

Statement of Activities (Concluded)

| <i>Year Ended December 31,</i> | 2017 |
|-------------------------------------|------------------|
| Decrease in unrestricted net assets | (292) |
| Net assets - beginning of year | 68,568 |
| Net assets - end of year | \$ 68,276 |

See accompanying independent accountant's compilation report, summary of significant accounting policies and notes to financial statements.

Desoto Healthcare Center, Inc.

Statement of Cash Flows

| <i>Year Ended December 31,</i> | 2017 |
|---|-------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ (292) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation expense | 10,650 |
| Changes in operating assets and liabilities: | |
| Change in receivables | 7,240 |
| Change in accrued expenses | (2,993) |
| Change in grants repayable | (9,000) |
| Net cash provided by operating activities | 5,605 |
| Cash flows from financing activities - | |
| Payment of long-term debt | (18,355) |
| Net cash used by financing activities | (18,355) |
| Net decrease in cash | (12,750) |
| Cash at beginning of year | 17,940 |
| Cash at end of year | \$ 5,190 |

See accompanying independent accountant's compilation report, summary of significant accounting policies and notes to financial statements.

Desoto Healthcare Center, Inc.

Summary of Significant Accounting Policies

Nature of Activities

Desoto Healthcare Center, Inc. (the "Center"), is a nonprofit corporation organized under the laws of the State of Louisiana. The Center was established to improve quality of life by promoting the physical, mental, spiritual and emotional well-being of the residents of Desoto Parish Louisiana and surrounding area through the operation of a health care center. Substantially all of the Center's revenue is from medical service fees.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Concentrations of Credit Risk

The majority of the Center's revenue comes from medical service fees paid by users or their health insurance provider. The Center is therefore heavily dependent on timely payment of medical services for its operations.

Income Tax Status

As a nonprofit organization, the Center is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code; but must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Center is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity. It must also assess whether it has any tax positions associated with unrelated business income subject to income tax. The Center does not expect any of its tax positions to change significantly over the next twelve months. Any penalties related to late filings or other requirements would be recognized as penalties expense in the Center's accounting records.

The Center is required to file U.S. Federal Form 990 for informational purposes. Its Federal income tax filings for the tax years ended 2015 and beyond remain subject to examination by the Internal Revenue Service.

Desoto Healthcare Center, Inc.

Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates made by management are the collectability of recorded receivables and the useful lives of property and equipment.

Cash and Cash Equivalents

The Center's cash, as stated for cash flow purposes, consists of cash on hand and in demand deposits with financial institutions.

Property and Equipment

Property and equipment are stated at cost if purchased, or fair value if donated. Management's policy is to capitalize assets with useful lives greater than one year, regardless of cost. Depreciation and amortization are calculated using the straight-line method over the useful lives of the assets, ranging from three to forty years.

Revenue and Support

Contributions received may be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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.

Desoto Healthcare Center, Inc.

Summary of Significant Accounting Policies *(Concluded)*

Accounts Receivable

Accounts receivable are presented in the accompanying financial statement net of any allowance for doubtful accounts. At such time as a customer account becomes totally worthless, the account is written off as a charge against the allowance for doubtful accounts. Management periodically reviews past due accounts to determine if circumstances indicate that all, or a portion, of a customer account will not be collectible. Based on this assessment, management reserves that portion of the receivable deemed to be uncollectible. At December 31, 2017, management had recorded an allowance for doubtful accounts of \$51,373.

Subsequent Events

Management evaluated events subsequent to the Organization's most recent year end through August 27, 2018, the financial statement issuance date.

Desoto Healthcare Center, Inc.

Notes to Financial Statements

1. Property and Equipment

The major classifications of property and equipment as of December 31, 2017 were as follows:

| | 2017 |
|---|------------------|
| Building and improvements | \$282,426 |
| Signage | 23,860 |
| | 306,286 |
| Accumulated depreciation and amortization | (33,356) |
| Property and equipment, net | \$272,930 |

Depreciation and amortization expense for property and equipment totaled \$10,650.

2. Note Payable

Note payable consists of the following at December 31, 2017:

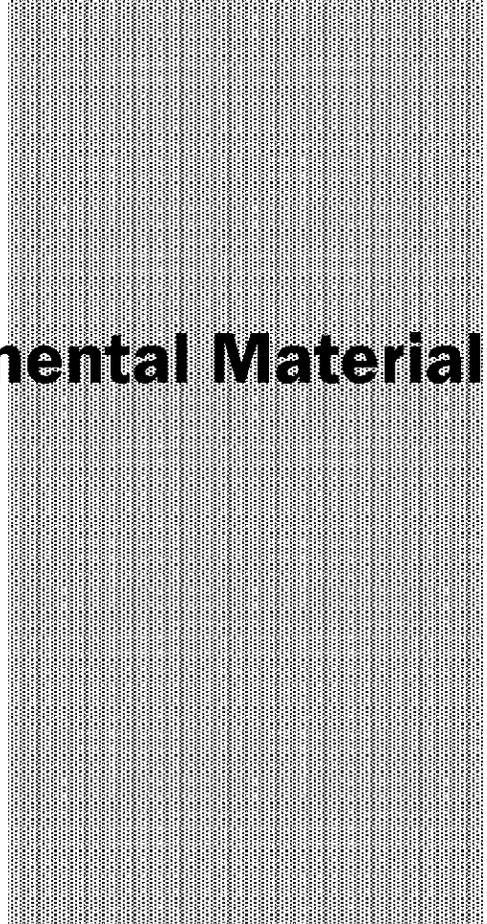
| | 2017 |
|--|-------------------|
| 5.5% note payable to bank, due in 59 monthly payments of \$1,713, including interest, beginning September 2013 and one final payment of \$158,959 in August 2018; collateralized by land and building. | \$ 164,955 |
| 5.5% note payable to bank, due in 84 monthly payments of \$362, including interest beginning February 2017; collateralized by land and building. | 17,665 |
| Zero percent unsecured note payable to the executive director with no repayment timeline specified. | 33,000 |
| | 215,620 |
| Less: Current maturities | (168,404) |
| Long-term debt | \$ 47,216 |

Desoto Healthcare Center, Inc.

Notes to Financial Statements (Concluded)

-
- 2. Notes Payable (continued)** Maturities of long-term debt over the next five years are as follows: 2018 - \$168,404; 2019 - \$3,646; 2020 - \$3,854; 2021 - \$4,076; 2022 and thereafter - \$35,640.
- 3. Related Party Transactions** Included in long-term debt is \$33,000 loaned by the Center's executive director to assist it in starting operations in 2013. The debt does not accrue interest and is payable as sufficient cash flows permit.
- 4. Supplemental Cash Flows** Cash paid for interest during 2017 totaled \$10,475.
- 5. Grants Repayable** During the fiscal year ended December 31, 2016, the Center drew down \$28,476 of grant funds in excess of allowable funding. The Center entered into an agreement with the grantor agency to repay these funds at \$1,000 per month beginning April 2017. As of December 31, 2017, the amount of grants repayable remaining was \$19,476.

Supplemental Material



Desoto Healthcare Center, Inc.

Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended December 31, 2017

Detries Morris, Executive Director

| | |
|-------------------------------------|----------|
| Salary | \$48,640 |
| Benefits – insurance | - |
| Benefits – retirement | - |
| Deferred compensation contributions | - |
| Car allowance | - |
| Vehicle | - |
| Cell phone | - |
| Dues | - |
| Vehicle rental | - |
| Per diem | - |
| Reimbursements | 505 |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Continuing education | - |
| Unvouchered expenses | - |
| Special meals | - |
| | <hr/> |
| | \$49,145 |

Desoto Healthcare Center, Inc.

Schedule of Findings and Responses Year ended December 31, 2017

2017-001 Timely Filing of Financial Statements

Condition

The DeSoto Health Care Center (the "Center") did not file its December 31, 2017 financials with the Louisiana Legislative Auditor's Office by the required deadline.

Criteria

Pursuant to state law (LA R.S. 24:513), financial statements are to be filed with the Louisiana Legislative Auditor's Office within 6 months of an entity's fiscal year end.

Cause

The Center relies on outside accountant who was unable to complete the general ledger until after July 2018.

Effect

The Center was not in compliance with LA R.S. 24:513.

Recommendation

Management should develop a system to file financial statements in accordance with applicable law.

Management's plan of corrective action

Management agrees with this finding and will implement procedures to ensure financial statements are filed by the statutory deadline.

2017-002 – Use of Restricted Funds

Condition

At December 31, 2017, DeSoto Healthcare Center, Inc. did not have sufficient funds on hand to equal its temporarily restricted fund balances.

Criteria

Accounting principles generally accepted in the United States of America require not-for-profits entities to utilize donor-restricted funds in activities that meet the purpose for which the funds were contributed.

Desoto Healthcare Center, Inc.

Schedule of Findings and Responses Year ended December 31, 2017

(Concluded)

Cause

The reason for the low funds at year end was the typical year-end cash flow problem experienced by many not-for-profit entities.

Effect

The Center did not have sufficient funds on hand to equal temporarily restricted fund balances at December 31, 2017.

Recommendation

Management should develop and implement a plan to replace restricted funds used for unrestricted purposes. Additionally, management should implement controls to prevent restricted funds from being used for unrestricted purposes in the future.

Management's Response and Plan of Corrective Action

Management agrees with the findings and is working to resolve the issue.

Desoto Healthcare Center, Inc.

Schedule of Prior Year Findings and Responses

| Ref. No. | Fiscal Year Finding Initially Occurred | Description of Findings | Corrective Action Taken | Corrective Action/Partial Corrective Action Taken |
|-----------------|---|--|--------------------------------|--|
| 2016-001 | 2014 | Timely Filing of Financial Statements | No | Repeated as Finding 2017-001 |
| 2016-002 | 2014 | Questioned Costs – Activities Allowed or Unallowed | Yes | No governmental grants received in 2017 |
| 2016-003 | 2015 | Use of Restricted Funds | No | Repeated as Finding 2017-002 |