

OUTPATIENT MEDICAL CENTER, INC.

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

JANUARY 31, 2020
**(With Summarized Financial
Information for 2019)**

OUTPATIENT MEDICAL CENTER, INC.
January 31, 2020
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BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Outpatient Medical Center, Inc.
Natchitoches, Louisiana

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Outpatient Medical Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2020, and the related statements of operations and changes in net assets, statement of functional expenses, and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Accounting records for the year ending January 31, 2020 were incomplete. We were unable to satisfy ourselves by other auditing procedures concerning the trade accounts payable at January 31, 2020, which is stated in the balance sheet at \$934,295. The upgrade to the patient management system in September 2019 resulted in numerous misstatements in patient accounts receivable. We were unable to verify by alternative means patient receivables included in the balance sheet at a total amount of \$2,714,745. In addition, changes in management personnel precluded us from making the appropriate inquiries of these matters. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded accounts payable or patient receivables.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Report on Summarized Comparative Information

We have previously audited Outpatient Medical Center, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other-Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18-23 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2021, on our consideration of Outpatient Medical Center, Inc.'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 solely 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 effectiveness of Outpatient Medical Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Outpatient Medical Center, Inc.'s internal control over financial reporting and compliance.

Brown, Eyring & Co.

Ridgeland, Mississippi
August 20, 2021

OUTPATIENT MEDICAL CENTER, INC.
Statement of Financial Position
January 31, 2020
(With Summarized Financial Information for 2019)

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents	\$ 268,475	\$ 403,037
Patient care receivables, less allowance of \$2,042,545 for doubtful accounts	672,201	619,890
Prepaid expenses	<u>8,996</u>	<u>8,996</u>
Total Current Assets	<u>949,672</u>	<u>1,031,923</u>
Fixed Assets:		
Land	136,500	106,500
Building and improvements	4,110,755	3,810,755
Furniture and equipment	1,747,381	1,662,907
Leasehold improvements	95,187	95,187
Vehicles	<u>25,815</u>	<u>25,815</u>
	6,115,638	5,701,164
Less: Accumulated depreciation	<u>(4,095,890)</u>	<u>(3,943,334)</u>
Net Fixed Assets	<u>2,019,748</u>	<u>1,757,830</u>
Other Assets		
Debt issuance costs, net	<u>31,831</u>	<u>31,831</u>
TOTAL ASSETS	<u>\$ 3,001,251</u>	<u>\$ 2,821,584</u>

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

OUTPATIENT MEDICAL CENTER, INC.
Statement of Financial Position
January 31, 2020
(With Summarized Financial Information for 2019)

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Current Liabilities:		
Accounts payable	\$ 934,295	\$ 299,718
Other payroll deductions payable	2,663	10,625
Salaries payable	-	112,248
Accrued annual leave	-	97,264
Other liabilities	7,655	19,878
Line of credit payable	33,576	-
Notes payable, current portion	33,799	74,588
Capital leases payable, current portion	-	10,617
Total Current Liabilities:	<u>1,011,988</u>	<u>624,938</u>
Long-Term Liabilities		
Notes payable	1,187,958	779,793
Capital lease payable	-	10,617
Less: current portion	<u>(33,799)</u>	<u>(85,205)</u>
Total Long-Term Liabilities	<u>1,154,159</u>	<u>705,205</u>
Total Liabilities	<u>2,166,147</u>	<u>1,330,143</u>
Net Assets:		
Without Donor Restrictions		
Undesignated (operating)	821,111	1,398,741
Board designated reserve	-	67,523
Totals	<u>821,111</u>	<u>1,466,264</u>
With Donor Restrictions	<u>13,993</u>	<u>25,177</u>
Total Net Assets	<u>835,104</u>	<u>1,491,441</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,001,251</u>	<u>\$ 2,821,584</u>

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

OUTPATIENT MEDICAL CENTER, INC.
Statement of Operations and Changes in Net Assets
For the Year Ended January 31, 2020
(With Summarized Financial Information for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
SUPPORT AND REVENUES (Note 2)				
Support:				
Grants and contracts	\$ 3,507,947	129,888	\$ 3,637,835	\$ 3,258,161
Net assets released from restrictions	<u>141,072</u>	<u>(141,072)</u>	<u>-</u>	<u>-</u>
Total Support	<u>3,649,019</u>	<u>(11,184)</u>	<u>3,637,835</u>	<u>3,258,161</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$2,957,874	2,438,953	-	2,438,953	3,372,249
Fundraising income	132,265	-	132,265	124,500
Interest income	287	-	287	239
Other income	<u>41,774</u>	<u>-</u>	<u>41,774</u>	<u>166,164</u>
Total Revenue	<u>2,613,279</u>	<u>-</u>	<u>2,613,279</u>	<u>3,663,152</u>
TOTAL SUPPORT AND REVENUES	<u>6,262,298</u>	<u>(11,184)</u>	<u>6,251,114</u>	<u>6,921,313</u>
EXPENSES				
Program Services				
Health care services	2,455,875	-	2,455,875	2,757,057
Community services	<u>268,853</u>	<u>-</u>	<u>268,853</u>	<u>513,137</u>
Total Program Services	<u>2,724,728</u>	<u>-</u>	<u>2,724,728</u>	<u>3,270,194</u>
Supporting Services				
Management and general	4,104,452	-	4,104,452	3,530,771
Fundraising	<u>78,271</u>	<u>-</u>	<u>78,271</u>	<u>99,320</u>
Total Supporting Services	<u>4,182,723</u>	<u>-</u>	<u>4,182,723</u>	<u>3,630,091</u>
TOTAL EXPENSES	<u>6,907,451</u>	<u>-</u>	<u>6,907,451</u>	<u>6,900,285</u>
Change in Net Assets	(645,153)	(11,184)	(656,337)	21,028
Net Assets, Beginning of Year	1,466,264	25,177	1,491,441	1,470,413
Other changes in net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 821,111</u>	<u>13,993</u>	<u>\$ 835,104</u>	<u>\$ 1,491,441</u>

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

OUTPATIENT MEDICAL CENTER, INC.
Statement of Functional Expenses
For the Year Ended January 31, 2020
(With Summarized Financial Information for 2019)

	Health Care Services	Community Services	Total Program Services	Management and General	Fundraising	2020	2019
Personnel	\$ 1,615,137	165,493	1,780,630	1,863,326	15,842	\$ 3,659,798	\$ 3,944,823
Fringe benefits	113,340	14,114	127,454	561,957	598	690,009	759,668
Travel	21,125	15,801	36,926	58,630	-	95,556	102,981
Supplies	251,016	22,606	273,622	159,662	6,593	439,877	311,455
Equipment rental	9,484	175	9,659	25,647	-	35,306	57,103
Contractual	187,152	24,404	211,556	365,907	-	577,463	467,367
Equipment expense	7,965	-	7,965	2,452	-	10,417	37,620
Legal and accounting	-	-	-	73,401	-	73,401	42,394
Dues and subscriptions	14,722	6,231	20,953	78,718	185	99,856	58,802
Utilities	-	1,244	1,244	110,860	-	112,104	162,726
Repairs and maintenance	146,188	1,103	147,291	44,043	-	191,334	207,002
Insurance	-	-	-	56,948	-	56,948	29,804
Staff recruitment	51,700	-	51,700	77,373	-	129,073	76,060
Advertisement	-	9,418	9,418	65,029	4,883	79,330	104,685
Security	-	-	-	1,461	-	1,461	1,248
Continuing education	5,973	-	5,973	4,084	-	10,057	30,752
Communications	14,815	3,261	18,076	92,786	-	110,862	101,772
Janitorial	-	-	-	22,546	-	22,546	339
Space cost	-	(815)	(815)	121,358	50,170	170,713	167,282
Interest	-	-	-	37,092	-	37,092	29,779
Taxes, licenses and fees	-	-	-	-	-	-	14,402
Bank charges	66	-	66	4,034	-	4,100	8,753
Food and beverage	101	179	280	10,675	-	10,955	12,436
Board expenses	-	-	-	831	-	831	2,731
Property taxes	-	-	-	6,917	-	6,917	4,544
Other	17,091	5,639	22,730	106,160	-	128,890	495
Total expenses before depreciation	2,455,875	268,853	2,724,728	3,951,897	78,271	6,754,896	6,737,023
Depreciation	-	-	-	152,555	-	152,555	163,262
Total Expenses	<u>\$ 2,455,875</u>	<u>268,853</u>	<u>2,724,728</u>	<u>4,104,452</u>	<u>78,271</u>	<u>\$ 6,907,451</u>	<u>\$ 6,900,285</u>

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

OUTPATIENT MEDICAL CENTER, INC.
Statement of Cash Flows
For the Year Ended January 31, 2020
(With Summarized Financial Information for 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS USED FOR OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (656,337)	\$ 21,028
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	152,555	163,262
Decrease (increase) in:		
Patient care receivables	(52,311)	(367,182)
Grants and contracts receivable	-	72,001
Debt issuance costs	-	-
Prepaid expenses	-	(8,996)
Increase (decrease) in:		
Accounts payable	634,576	87,114
Accrued salaries payable	(112,248)	848
Other payroll deductions payable	(7,963)	(990)
Other liabilities	(12,220)	14,403
Accrued annual leave	(97,264)	5,849
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(151,212)</u>	<u>(12,663)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	<u>(414,474)</u>	<u>(19,941)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(414,474)</u>	<u>(19,941)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in notes payable and capital leases	397,548	(86,542)
Other financing activities	<u>33,576</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>431,124</u>	<u>(86,542)</u>
NET INCREASE (DECREASE) IN CASH	(134,562)	(119,146)
CASH, BEGINNING OF YEAR	<u>403,037</u>	<u>522,183</u>
CASH, END OF YEAR	<u>\$ 268,475</u>	<u>\$ 403,037</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest expense	<u>\$ 37,092</u>	<u>\$ 29,779</u>

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

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2020

NOTE 1 - ABOUT THE ORGANIZATION

Outpatient Medical Center, Inc. (OPMC), a non-profit corporation, was incorporated in the State of Louisiana as of December 1997. The primary purpose of the Corporation is to provide outpatient health care in a medically underserved area to patients who otherwise would have limited access to health care. The Corporation is supported through a grant from Public Health Service, a component of the U.S. Department of Health and Human Services.

The fiscal year of OPMC is February 1 to January 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Outpatient Medical Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The Organization is required to report information regarding its financial position and operations according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the Organization is required to present a statement of functional expenses.
- 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 net assets with donor restrictions to net assets without donor restrictions at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification 958, 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 Organization.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 40 years.
- The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds, is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.
- 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), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Statement of Operations 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 - OPMC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Net Patient Service Revenues and Provision for Bad Debt - Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors and others for services rendered, including estimated retroactive and prospective adjustments under reimbursements agreements with third-party payors. Third-party payors retain the right to review and propose adjustments to amounts reported by the Organization. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Additions to the allowance for doubtful accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance. The amount of the provision for bad debt is based upon management's assessment of historical expected net collections, business and economic conditions, trends in Federal and state governmental health care coverage, and other collection indicators. Services rendered to individuals when payment is expected and ultimately not received are written off to the allowance for doubtful accounts.

- M. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information, and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.
- N. Debt Issuance Costs - Debt issuance costs are recorded at cost and amortized on a straight-line basis over the term of the debt (15 years).
- O. Classification of Net Assets - Net Assets of OPMC are classified based on the presence or absence of donor-imposed restrictions. Net Assets are comprised of two groups as follows:
- a) Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
 - b) Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may need to be maintained in perpetuity.

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:

Financial assets:	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 268,475	\$ 268,475
Financial liabilities:	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term notes payable	\$1,187,958	\$1,187,958

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2020

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

The Organization maintains its cash balances in six (6) financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At January 31, 2020, the Organization did not have an uninsured cash balance.

NOTE 5 - LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

The following table reflects the Organization's financial assets as of January 31, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions at January 31, 2020.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2020
Cash and cash equivalents	\$ <u>268,475</u>
Total financial assets	<u>268,475</u>
Board-designated funds	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>268,475</u></u>

NOTE 6 - PATIENT RECEIVABLES RECEIVABLE AND RELATED ALLOWANCE FOR
DOUBTFUL ACCOUNTS

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at January 31, 2020:

Accounts receivable:	Amount
Patients	\$ 388,430
Government	1,935,909
Other	<u>390,407</u>
	<u>\$ 2,714,746</u>

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2020

NOTE 6 - PATIENT RECEIVABLES RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS (Continued)

Allowance for doubtful accounts is summarized as follows at January 31, 2020

Allowance	Amount
Patients	\$ 154,674
All Other	<u>1,887,871</u>
	<u>\$ 2,042,545</u>

NOTE 7 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at January 31, 2020:

Patient Service Revenue	Amount
Patient Service Revenue	\$ 5,396,827
Less: Contractual adjustment under third-party reimbursement program and discounts	(2,243,133)
Provision for bad debts	<u>(714,741)</u>
Net Patient Service Revenue	<u>\$ 2,438,953</u>

NOTE 8 - FIXED ASSETS

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

Assets	
Land	\$ 136,500
Buildings and Improvements	4,110,755
Leasehold Improvements	95,187
Furniture and Equipment	1,747,381
Vehicles	<u>25,815</u>
Total Property and Equipment	<u>6,115,638</u>
Less: Accumulated Depreciation	<u>(4,095,890)</u>
Net Property and Equipment	<u>\$ 2,019,748</u>

Depreciation expense for the year ended January 31, 2020 totaled \$152,555.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2020

NOTE 9 - CORPORATE INCOME TAXES

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

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2017, 2018, and 2019 are subject to examination by the federal, state, and local taxing authorities, generally for three years after they are filed.

NOTE 10 - RETIREMENT PLAN

The Organization has a Section 403(b) plan for all eligible employees. To be eligible, an employee must be employed with the Corporation for at least one year and must be at least eighteen years of age. For the year ended January 31, 2020, the plan was properly funded. Retirement expense recognized was \$81,074 for the year ended January 31, 2020.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at January 31, 2020 in the amount of \$- is included in the financial statements. See Note 2.J. above.

NOTE 12 - SUMMARY OF FUNDING AND SUPPORT

Outpatient Medical Center's operations are funded through restricted grants from HHS. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

<u>Source</u>	<u>Grant Number</u>	<u>Period</u>	<u>Amount</u>
U.S. Department of Health and Human Services - Health Center Cluster	H80CS00513	2/1/19-1/31/20	\$ 3,477,197
Rapides Foundation	N/A	2/1/19-1/31/20	78,888
Black Women's Health Imperative	1NU58DP006367-01-00	2/1/19-1/31/20	51,000
Louisiana Primary Care Association	N/A	2/1/19-1/31/20	<u>30,750</u>
TOTALS			<u>\$ 3,637,835</u>

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2020

NOTE 13 - NOTES PAYABLE

Notes payable consist of the following at January 31, 2020:

Notes payable to Bank of Montgomery; fixed interest rate of 5.75% due in monthly installments of \$8,428 which includes principal and interest; matures October 2024; secured by real estate. \$ 1,187,958

Maturities of long-term debt are as follows:

	Principal	Interest	TOTAL
2021	\$ 33,799	\$ 67,341	\$ 101,140
2022	35,795	65,346	101,141
2023	37,908	63,232	101,140
2024	40,146	60,994	101,140
2025	42,416	58,724	101,140
Thereafter	997,894	477,135	1,475,029
Totals	\$ 1,187,958	792,772	\$ 1,980,730

NOTE 14 - LITIGATION

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

In the ordinary course of its business, Outpatient Medical Center, Inc. is a party to claims and legal actions by enrollees, providers, and others. After consulting with legal counsel, the Organization 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 Outpatient Medical Center, Inc.

NOTE 15 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 43% of the Organization's funding is provided by direct grants from the U.S. Department of Health and Human Services.

NOTE 16 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2020

NOTE 16 - GRANT BALANCES AND GRANT CONDITIONS (Continued)

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

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

NOTE 17 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for in the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended January 31, 2019, from which the summarized information was derived.

NOTE 18 - NET ASSETS WITHOUT DONOR RESTRICTIONS (BOARD DESIGNATED RESERVE)

The Board of Directors established a reserve account to cover gross expenses for future obligations. The funds for this reserve account are maintained in a separate bank account and can only be utilized by board approval.

NOTE 19 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions result primarily from timing restrictions on grants awarded during the fiscal year but designated for use in current and subsequent fiscal years.

The Organization's net assets with donor restrictions as of January 31, 2020, consisted of the following:

Grant for Diabetes Prevention Program (Black Women's Health Imperative)	\$ <u>13,993</u>
Total Net Assets with Donor Restrictions	\$ <u>13,993</u>

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2020

NOTE 20 - OPERATING LEASES

Future minimum lease payments for the Leesville site under noncancelable operating leases with initial or remaining terms in excess of one year at January 31, 2020, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ 107,952
2022	107,952
2023	<u>28,800</u>
Total minimum lease payments	<u>\$ 244,704</u>

NOTE 21 - NET PATIENT SERVICE REVENUE

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors and others for services rendered including estimated retroactive adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Revenue from the Medicare and Medicaid programs accounted for approximately 9 percent and 89 percent, respectively, of the Organization's net patient revenue for the year ended January 31, 2020. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 22 - ADVERTISING

Outpatient Medical Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending January 31, 2020, advertising cost totaled \$80,882.

NOTE 23 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 20, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

SCHEDULE A

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer
 For the Year Ended January 31, 2020

In accordance with Act 706 passed during the 2014 regular Louisiana Legislative Session, the compensation, benefits, reimbursements and other payments to the Chief Executive Officer are presented as follows:

<u>Category</u>	<u>Amount</u>	<u>Total</u>
Salary	\$ 204,502	
Incentive pay - (bonus)	<u>10,300</u>	
Total salary		\$ 214,802
Benefits:		
Health insurance	\$ 8,211	
Retirement	<u>7,843</u>	
Total benefits		16,054
Travel:		
Travel	<u>3,391</u>	
Total travel		<u>3,391</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>234,247</u>

SCHEDULE B

OUTPATIENT MEDICAL CENTER, INC.
 Combining Schedule of Support and Revenues
 For the Year Ended January 31, 2020

	<u>HHS Section 330 Funds</u>	<u>Rapides Foundation</u>	<u>Other Grants</u>	<u>Total</u>
SUPPORT AND REVENUES:				
Support:				
Grants and contracts	\$ 3,477,197	78,888	81,750	\$ 3,637,835
Total Support	<u>3,477,197</u>	<u>78,888</u>	<u>81,750</u>	<u>3,637,835</u>
Revenue:				
Health care services, net of charity, bad debt and adjustments of \$2,957,874	2,438,953	-	-	2,438,953
Fundraising income	132,265	-	-	132,265
Interest income	287	-	-	287
Other income	41,774	-	-	41,774
Total Revenue	<u>2,613,279</u>	<u>-</u>	<u>-</u>	<u>2,613,279</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 6,090,476</u>	<u>78,888</u>	<u>81,750</u>	<u>\$ 6,251,114</u>

SCHEDULE C

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Health Care Services Expenses
 For the Year Ended January 31, 2020

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 1,615,137
Fringe benefits	113,340
Travel	21,125
Supplies	251,016
Equipment rental	9,484
Contractual	187,152
Equipment expense	7,965
Dues and subscriptions	14,722
Repairs and maintenance	146,188
Staff recruitment	51,700
Continuing education	5,973
Communications	14,815
Bank and finance charges	66
Food	101
Other	<u>17,091</u>
Total Healthcare Services Expenses	<u>2,455,875</u>
 TOTAL EXPENSES	 \$ <u><u>2,455,875</u></u>

SCHEDULE D

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Community Services Expenses
 For the Year Ended January 31, 2020

<u>EXPENSES</u>	<u>Rapides Foundation</u>	<u>HRSA Outreach Grant</u>	<u>Black Woman's Initiative</u>	<u>Total</u>
Personnel	\$ 93,109	\$ 48,244	\$ 24,140	\$ 165,493
Fringe benefits	8,058	4,069	1,987	14,114
Travel	1,914	6,788	7,099	15,801
Supplies	15,481	3,901	3,224	22,606
Equipment rental	175	-	-	175
Contractual	1,207	-	23,197	24,404
Dues and subscriptions	867	4,444	920	6,231
Utilities	-	-	1,244	1,244
Repairs and maintenance	1,103	-	-	1,103
Advertisement	1,450	7,927	41	9,418
Communications	1,086	1,514	661	3,261
Space cost	-	-	(815)	(815)
Food	36	143	-	179
Other	<u>5,153</u>	<u>-</u>	<u>486</u>	<u>5,639</u>
Total Community Services Expenses	<u>129,639</u>	<u>77,030</u>	<u>62,184</u>	<u>268,853</u>
TOTAL EXPENSES	<u>\$ 129,639</u>	<u>\$ 77,030</u>	<u>\$ 62,184</u>	<u>\$ 268,853</u>

SCHEDULE E

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Management and General Expenses
 For the Year Ended January 31, 2020

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 1,863,326
Fringe benefits	561,957
Travel	58,630
Supplies	159,662
Equipment rental	25,647
Contractual	365,907
Equipment expense	2,452
Legal and accounting	73,401
Dues and subscriptions	78,718
Utilities	110,860
Repairs and maintenance	44,043
Insurance	56,948
Staff recruitment	77,373
Advertisement	65,029
Security	1,461
Continuing education	4,084
Communications	92,786
Janitorial	22,546
Space cost	121,358
Interest expense	37,092
Bank and finance charges	4,034
Food	10,675
Board expenses	831
Property taxes	6,917
Other	<u>106,160</u>
Total Management & General Expenses	<u>3,951,897</u>
TOTAL EXPENSES	<u>\$ 3,951,897</u>

SCHEDULE F

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Fundraising Expenses
 For the Year Ended January 31, 2020

<u>EXPENSES</u>	<u>Bingo</u>
Personnel	\$ 15,842
Fringe benefits	598
Supplies	6,593
Dues and subscriptions	185
Advertisement	4,883
Space cost	<u>50,170</u>
Total Expenses	<u>\$ 78,271</u>

OUTPATIENT MEDICAL CENTER, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2020

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 Bureau of Primary Health Care			
Direct Programs:			
Health Center Cluster			
Health Center Grant	93.224	H80CS00513	\$ 1,000,228
Affordable Care Act Grants	93.527	H80CS00513	<u>2,441,649</u>
Total Health Center Cluster			<u>3,441,877</u>
Pass through Black Women's Health Imperative National Diabetes Prevention Program	93.261	1NU58DP006367-01-00	<u>62,184</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,504,061</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,504,061</u>

OUTPATIENT MEDICAL CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2020

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Outpatient Medical Center, Inc. under programs of the federal government for the year ended January 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Outpatient Medical Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Outpatient Medical Center, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDIRECT COST RATE

Outpatient Medical Center, Inc. does not have indirect cost and has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of
Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Outpatient Medical Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2020, and the related statement of operations and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 20, 2021. Our report disclaims an opinion on such financial statements because accounting records for the year ending January 31, 2020 were incomplete. We were unable to satisfy ourselves by other auditing procedures concerning the trade accounts payable at January 31, 2020, which is stated in the balance sheet at \$934,295. The upgrade to the patient management system in September 2019 resulted in numerous misstatements in patient accounts receivable. We were unable to verify by alternative means patient receivables included in the balance sheet at a total amount of \$2,714,745. In addition, changes in management personnel precluded us from making the appropriate inquiries of these matters. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded accounts payable or patient receivables.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered Outpatient Medical Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider finding 2020-1 through 2020-4 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as items 2020-5 and 2020-6 to be significant deficiencies.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of Outpatient Medical Center, Inc., we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, if the scope of our work had been sufficient to enable us to express an opinion on the financial statements, instances of noncompliance or other matters may have been identified and reported therein.

Outpatient Medical Center, Inc.'s Response to Findings

Outpatient Medical Center, Inc.'s response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. Outpatient Medical Center, Inc.'s response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Ridgeland, Mississippi
August 20, 2021



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Outpatient Medical Center, Inc.
Natchitoches, Louisiana

Report on Compliance for Each Major Federal Program

We were engaged to audit Outpatient Medical Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Outpatient Medical Center, Inc.'s major federal programs for the year ended January 31, 2020. Outpatient Medical Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Outpatient Medical Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We were unable to conduct 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Outpatient Medical Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Our engagement does not provide a legal determination of Outpatient Medical Center, Inc.'s compliance with those requirements.

Basis for Disclaimer Opinion on Health Center Cluster Program

As described in findings 2020-1 through 2020-3 in the accompanying schedule of findings and questioned costs, we were unable to determine if Outpatient Medical Center, Inc. complied with the types of compliance requirements referred to above that could have a direct and material effect on the Health Center Cluster Program.

Disclaimer Opinion on Health Center Cluster Program

Since Outpatient Medical Center, Inc. did not provide the evidence described in the above paragraph, our auditing procedures were not sufficient to enable us to express, and we do not express, an opinion on whether Outpatient Medical Center, Inc. had complied with the types of compliance requirements referred to above that could have a direct and material effect on the Health Center Cluster program for the year ended January 31, 2020.

Report on Internal Control Over Compliance

Management of Outpatient Medical Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Outpatient Medical Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Outpatient Medical Center, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Eyr's Co.

Ridgeland, Mississippi
August 20, 2021

OUTPATIENT MEDICAL CENTER, INC.
Summary Schedule of Prior Audit Findings
Year Ended January 31, 2020

Finding 2019-1

Condition:

During our review of bank reconciliations, we noted that the operating account and 340B account reconciliations did not agree to the general ledger.

Current Status:

Not corrected. Repeated as finding 2020-4

Finding 2019-2

Condition

During our test of sliding fee patients, we noted nine (9) instances out of 40 patient files reviewed in which the sliding fee was improperly calculated.

Current Status:

Unable to determine

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Findings and Questioned Costs
 Year Ended January 31, 2020

Section 1: Summary of Auditor's Results

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued on the financial statements. | Disclaimer |
| 2. | Material noncompliance relating to the financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies 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 | Disclaimer |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. | Audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a)? | No |
| 7. | Federal programs identified as major programs: | |

<u>HEALTH CENTERS CLUSTER</u>	<u>CFDA NUMBER</u>
Consolidated Health Centers Grant	93.224
Affordable Care Act Grants	93.527

- | | | |
|----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and Type B programs: | \$750,000 |
| 9. | Auditee did not qualify as a low-risk auditee. | |

Section 2: Findings - Financial Statements Audit

Finding 2020-1

COMPLETENESS OF THE GENERAL LEDGER

Material Weakness

Condition

We noted that account activity from September 2019 through January 2020 for a number of accounts was not recorded in the general ledger.

OUTPATIENT MEDICAL CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2020

Section 2: Findings - Financial Statements Audit (continued)

Cause

There was no supervisory review of accounting transactions and month end reconciliations performed.

Effect

The general ledger was incomplete and financial statements were materially misstated.

Criteria

Policy Number 1.3 of the Center's Financial Policies and Procedures manual states that "OMC will maintain a chart of accounts that will provide an accurate analysis of financial position".

Recommendation

We strongly recommend that internal administrative controls be strengthened to establish a regular supervisory review of accounting transactions and activity to ensure the general ledger is complete and accurate.

Finding 2020-2

ACCOUNTS PAYABLE SUBSIDIARY NOT RECONCILED TO GENERAL LEDGER

Material Weakness

Condition

The accounts payable balance in the general ledger could not be reconciled to the subsidiary ledger.

Cause

Monthly reconciliations between the balance in the general ledger and the subsidiary ledger were not performed.

Effect

Unreconciled accounts resulting in materially inaccurate accounting records

Criteria

Policy Number 14.00 of the Center's Financial Policies and Procedures manual states that "procedures should account for all revenues and expenses with each accounting period such that all financial activities within each period fairly represents all amounts due to and owed by OMC.

Recommendation

In order to maintain proper control over accounts payable, we strongly recommend that the accounts payable subsidiary ledger be reconciled with the balance in the general ledger at the end of every month. If any differences exist, they should be investigated and resolved promptly.

OUTPATIENT MEDICAL CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2020

Finding 2020-3

PATIENT RECEIVABLE POSTINGS

Material Weakness

Condition

We noted that after an upgrade to the patient management system in September 2019, no postings were made to the general ledger control accounts for patient receivables or to the patient subsidiary ledger.

Cause

Monthly postings to the general ledger and the subsidiary ledger were not performed.

Effect

The subsidiary ledger and the general ledger control accounts were incomplete and inaccurate.

Criteria

Generally Accepted Accounting Principles (GAAP) for revenue recognition.

Recommendation

Internal administrative controls should be implemented to ensure that patient charges, adjustments and payments are posted on a monthly basis and agreed to the general ledger control accounts. Management should review the performance of the reconciliation procedures and provide guidance to staff to adequately address any differences noted.

Finding 2020-4 (REPEAT FINDING)

BANK RECONCILIATIONS

Material Weakness

Condition

Bank reconciliations were not reconciled monthly to the general ledger.

Cause

Failure to follow established procedures.

Effect

Unreconciled accounts resulting in materially inaccurate accounting records

Criteria

Policy Number 1.8 of the Center's Financial Policies and Procedures manual states that "Bank accounts are reconciled on a monthly basis".

OUTPATIENT MEDICAL CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2020

Section 2: Findings - Financial Statements Audit (continued)

Recommendation

The Organization should strengthen internal administrative controls to ensure that bank reconciliations for all accounts are completed timely and reconciled to the general ledger.

Finding 2020-5

LATE SUBMISSION OF SINGLE AUDIT REPORT

Significant Deficiency

Condition

Outpatient Medical Center, Inc. did not ensure that its Single Audit was completed within nine (9) months of its fiscal year end.

Cause

The Organization failed to provide for a timely Single Audit.

Effect

The Organization's Single Audit was filed late.

Criteria

The Uniform Guidance requires that the deadline for submission of audits and the reporting packages to the central clearinghouse is nine (9) months from the organization's fiscal year end.

Recommendation

The Organization should strengthen internal administrative controls to ensure that financial records are sufficiently maintained in order to minimize disruption in operations that would affect the completion and submission of a timely Single Audit.

Finding 2020-6

LATE SUBMISSION OF AUDIT REPORT TO STATE OF LOUISIANA

Significant Deficiency

Condition

The audit report for the year ended January 31, 2020 was not submitted within the six (6) months after year end or the approved extended period as required by the Louisiana Legislative Auditor.

OUTPATIENT MEDICAL CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2020

Section 2: Findings - Financial Statements Audit (continued)

Cause

All transactions for the year ended January 31, 2020 were not accounted for in the general ledger.

Effect

A significant amount of time was spent reconstructing financial records thereby delaying the completion of the audit.

Criteria

State of Louisiana Legislative Auditor's financial reporting requirement (R.S. 24:513)

Recommendation

The Organization should strengthen internal administrative controls to ensure that financial records are sufficiently maintained in order to minimize disruption in operations that would affect the completion and submission of a timely audit report.

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

NONE

Harlan "Mark" Guidry, MD, MPH
Chief Executive Officer

Thomas E. Roque, Sr.
President, Board of Directors



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Outpatient Medical Center
Providing Quality Healthcare To All

Fiscal Year 2020 Audit Findings OMC
Response: Corrective Actions

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Outpatient Medical Center (OMC) respectfully submits the following corrective action plan for the year ended January 31, 2020.

Name and address of independent public accounting firm: Brown, Ewing & Co., 308 Highland Park Cove, Ridgeland, MS 39157.

Audit Period: February 1, 2021 through January 31, 2020

SECTION 2: FINDING – FINANCIAL STATEMENTS AUDIT

Finding 2020-1

Completeness of General Ledger

Material Weakness

Response - OMC's new leadership which began in May and June of 2020 quickly identified the need to record all financial transactions into the general ledger. A new team of fiscal staff were hired including the Executive Director of Fiscal Operations (EDFO), Accounting Manager, and a Fiscal Clerk. As of today, all transactions are being recorded into the general ledger on a monthly basis. OMC will strengthen internal administrative controls by establishing written procedures and responsibilities of each staff member to include a weekly review of accounting transactions by the Accounting Manager and a monthly review of month-end reconciliations by the EDFO. Supporting documentation will reflect that supervisory reviews have been conducted and that accounting transactions were completed according to established procedures. The Executive Director of Fiscal Operations will provide monthly progress reports to the CEO and Board of Directors.

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Finding 2020-2

Accounts Payable Subsidiary Not Reconciled To General Ledger

Material Weakness

Response - OMC's new leadership which began in May and June of 2020 quickly identified the need to reconcile accounts payable to the subsidiary ledger (accounts payable aging report). A new team of fiscal staff were hired, which included the Executive Director of Fiscal Operations (EDFO), Accounting Manager, and a Fiscal Clerk. Procedures are currently being put into place to assure that the accounts payable subsidiary ledger is balanced to the general ledger each month. Any discrepancies will be identified immediately, and appropriate adjustments made so that financial statements correctly reflect the current financial position of the organization. OMC will strengthen internal administrative controls by establishing written procedures and responsibilities of the Accounting Manager that will include month-end reconciliation of accounts payable between the general ledger and the subsidiary ledger. On a monthly basis the EDFO will review the Accounting Manager's reconciliation. If any differences exist the EDFO will assure that an investigation is performed, and that the issue is resolved properly. The Executive Director of Fiscal Operations will provide monthly progress reports to the CEO and Board of Directors.

Finding 2020-3

Patient Receivable Postings

Material Weakness

Response - Previous staff reported numerous issues with extracting patient account data due to a patient management system migration that occurred in September 2019. To address this issue, OMC has restructured the patient billing department and contracted with an FQHC-experienced 3rd party billing company so that patient related transactions will be handled appropriately and promptly. In addition, OMC has received training and consultation from the practice management software vendor, sought additional information from a vendor who provided temporary billing services in that time period and engaged the services of a CPA consultant with 23 years of experience with FQHC financials and audits. While OMC has been performing monthly postings to the general ledger/subsidiary ledger since 2020, additional work is needed to account for the postings that were not completed between September 2019 and January 2020. The OMC EDFO will strengthen internal administrative controls by establishing

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written procedures that will provide a process in which patient charges, adjustments and payments are reflected in the practice management system as incurred and are appropriately recorded in the general ledger. The Accounting Manager will include a month-end reconciliation of accounts receivable postings charges/adjustments/receipts) between the general ledger and the subsidiary ledger. On a monthly basis the EDFO will review the Accounting Manager's reconciliation. If any differences exist the EDFO will assure that an investigation is performed, and that the issue is resolved promptly and in accordance with established procedures. The Executive Director of Fiscal Operations will provide monthly progress reports to the CEO and Board of Directors.

Finding 2020-4 (Repeat Finding)

Bank Reconciliations
Material Weakness

Response - OMC's new leadership which began in May and June of 2020 identified this past issue and immediately began to reconcile bank accounts to the general ledger. As of today, OMC cash accounts for the current and prior periods have been reconciled and match the general ledger. OMC anticipates full compliance in the fiscal year 2021 audit. Going forward, the Executive Director of Financial Operations (EDFO) will establish written procedures and responsibilities of the Accounting Manager that will include month-end reconciliation of all OMC bank accounts between the general ledger and the bank statements. On a monthly basis the EDFO will review the Accounting Manager's reconciliation and sign off accordingly. If any differences exist the EDFO will assure that an investigation is performed, and that the issue is resolved promptly and according to established procedures. The EDFO will provide monthly progress reports to the CEO and Board of Directors.

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Finding 2020-5
Late Submission of Single Audit Report
Significant Deficiency

Response - OMC's new leadership which began in May and June of 2020. Under circumstances during the peak of the COVID pandemic and subsequent organizational furlough of approximately 50% of its workforce, OMC received approved extensions from both HRSA and the Louisiana Legislative Auditors (LLA). Having completed the fiscal year 2020 audit by the approved LLA extension date of August 31, 2021, the Board and OMC staff are eager to proceed with completing the fiscal year 2021 audit. However, the fiscal year 2021 report could not be initiated until the completion of the fiscal year 2020. We are aware that HRSA requires that the single audit be completed within 9 months of its fiscal year end which for fiscal year 2021 would be by October 2021. OMC sets its completion as a priority and will work diligently with its already engaged auditor to complete the audit expeditiously and without delay. OMC new leadership, due to the fiscal year 2020 audit delay have, already requested HRSA technical assistance and have received approximately six hours of review and preparation for the next audit (fiscal year 2021). Since May 2021, the CEO and Board of Directors established a standing agenda item to track and report progress on the status of audits and related compliance matters.

Finding 2020-6
Late Submission of Audit Report to State of Louisiana
Significant Deficiency

Response - OMC's new leadership which began in May and June of 2020. Under circumstances during the peak of the COVID pandemic and subsequent organizational furlough of approximately 50% of its workforce, OMC received approved extensions from both HRSA and the Louisiana Legislative Auditors. Having completed the fiscal year 2020 audit by the approved extension date of August 31, 2021, the Board and OMC staff are eager to proceed with completing the fiscal year 2021 audit. However, the fiscal year 2021 report could not be initiated until the completion of the fiscal year 2020 audit which is already 6 months after the year end requirement of the Louisiana Legislative Auditor. Therefore, we anticipate this will be an unavoidable repeat finding, however, OMC sets its completion as a priority and will work diligently with its already engaged auditor to complete the audit expeditiously and without delay. Since May 2021, the CEO and Board of Directors established a standing agenda item to track and report progression the status of audits and related compliance matters.