



**Desoto Healthcare
Center, Inc.**

Compiled Financial Statements
Year Ended December 31, 2016

Desoto Healthcare Center, Inc.

Table of Contents

Independent Accountant's Compilation Report	3
Compiled Financial Statements	
Statement of Financial Position	4
Statement of Activities	5-6
Statement of Cash Flows	7
Summary of Significant Accounting Policies	8-10
Notes to Financial Statements	11-12
Supplemental Material	
Schedule of Compensation, Benefits and Other Payments to Agency Head	14
Schedule of Findings and Responses	15-16
Schedule of Prior Year Findings and Reponses	17



8585 Business Park Drive
Shreveport, Louisiana 71105
Phone: 318.219.5020
Fax: 318.798.1917
info@jkmcpas.biz

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, 2016, and the related statements of activities and cash flows for the year then ended, and the related summary of 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.

Certified Public Accountant

Shreveport, Louisiana
June 30, 2018

Desoto Healthcare Center, Inc.

Statement of Financial Position

<i>December 31,</i>	2016
Assets	
Current assets:	
Cash	\$ 17,940
Accounts receivable, net of allowance for doubtful accounts of \$48,939	36,030
Total current assets	53,970
Property and equipment, net (Note 2)	283,580
Total Assets	\$337,550
Liabilities and Net Assets	
Current Liabilities	
Accrued expenses	\$ 6,531
Grants repayable (Note 6)	28,476
Current portion of long-term debt (Note 4)	18,354
Total current liabilities	53,361
Long-term debt (Notes 3 and 4)	215,621
Total liabilities	268,982
Net assets:	
Temporarily restricted	21,696
Unrestricted	46,872
Total net assets	68,568
Total Liabilities and Net Assets	\$337,550

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,

2016

Unrestricted net assets

Unrestricted revenues and other support:

Medical service fees	\$215,895
Contractual revenue-grants (Note 1)	113,918
Electronic Health Record incentive payments	22,047
Contributions	12,329
Other	10,111
Rent income	9,700

Total unrestricted revenues and other support	384,000
---	----------------

Expenses:

Salary and benefits	268,128
Professional services	27,571
Payroll taxes	20,657
Insurance	17,332
Utilities	11,002
Interest expense	10,765
Office supplies and expenses	10,456
Depreciation and amortization	9,448
Medical service expenses	8,761
Billing expense	3,603
Education and training	3,400
Licenses and permits	2,890
Bank fees and charges	1,453
Other	718
Repairs and maintenance	715
Dues and memberships	150
Travel and conferences	141
Advertising and promotion	20

Total expenses	397,210
----------------	----------------

(Continued)

Desoto Healthcare Center, Inc.

Statement of Activities (Concluded)

<i>Year Ended December 31,</i>	2016
Decrease in unrestricted net assets	(13,210)
Net assets - beginning of year	81,778
Net assets - end of year	\$ 68,568

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>	2016
Cash flows from operating activities:	
Change in net assets	\$(13,210)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	9,448
Changes in operating assets and liabilities:	
Change in receivables	7,878
Change in accrued expenses	(2,322)
Change in grants repayable	28,476
Net cash provided by operating activities	30,270
Cash flows from investing activities -	
Purchase of property and equipment	(30,914)
Net cash used by investing activities	(30,914)
Cash flows from financing activities -	
Proceeds from the issuance of debt	25,000
Payment of long-term debt	(10,423)
Net cash provided by financing activities	14,577
Net increase in cash	13,933
Cash at beginning of year	4,007
Cash at end of year	\$ 17,940

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 grants provided by the U. S. Department of Health and Human Services, local government grants, service fees, and donations.

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 U. S. Department of Health and Human Services grants, local grants and service fees paid by users or their health insurance provider. The Center is therefore heavily dependent on the federal government 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 2014 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.

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

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, 2016, management had recorded an allowance for doubtful accounts of \$48,939.

Subsequent Events

Management evaluated events subsequent to the Organization's most recent year end through June 30, 2018, the financial statement issuance date.

Desoto Healthcare Center, Inc.

Notes to Financial Statements

1. Revenue and Support

During the year ended December 31, 2016, the Center received contractual revenue from federal grants in the amounts of \$113,918 from the United States Department of Health and Human Services. The continued existence of these funds is based on periodic contract renewals with various funding sources; amounts renewed may differ significantly from those in existence at December 31, 2016. All revenue from these grants is subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries; adjustments in future periods may be necessary as final grant settlements are determined.

2. Property and Equipment

The major classifications of property and equipment as of December 31, 2016 were as follows:

	2016
Building and improvements	\$282,426
Signage	23,860
	306,286
Accumulated depreciation and amortization	(22,706)
Property and equipment, net	\$283,580

Depreciation and amortization expense for property and equipment totaled \$9,448.

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.

Desoto Healthcare Center, Inc.

Notes to Financial Statements (Concluded)

4. Note Payable

Note payable consists of the following at December 31, 2016:

	2016
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.	\$175,975
5.5% note payable to bank, due in 84 monthly payments of \$362, including interest beginning February 2017; collateralized by land and building.	25,000
Zero percent unsecured note payable to the executive director with no repayment timeline specified.	33,000
	233,975
Less: Current maturities	(18,354)
Long-term debt	\$215,621

Maturities of long-term debt over the next five years are as follows: 2017 - \$18,354; 2018 - \$168,437; 2019 - \$3,646; 2020 - \$3,854; 2021 and thereafter - \$39,684.

5. Supplemental Cash Flows

Cash paid for interest during 2016 totaled \$10,765.

6. Grants Repayable

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.

Supplemental Material



Desoto Healthcare Center, Inc.

Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended December 31, 2016

Detries Morris, Executive Director

Salary	\$80,010
Benefits – insurance	-
Benefits – retirement	-
Deferred compensation contributions	-
Car allowance	-
Vehicle	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	23
Travel	14
Registration fees	-
Conference travel	-
Continuing education	3,400
Unvouchered expenses	-
Special meals	-
	<hr/>
	\$83,447

Desoto Healthcare Center, Inc.

Schedule of Findings and Responses Year ended December 31, 2016

2016-001 Timely Filing of Financial Statements

Condition

The DeSoto Health Care Center (the "Center") did not file its December 31, 2016 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 June 2017.

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.

2016-002 Questioned Costs – Activities Allowed or Unallowed

Condition

The Center drew down \$28,476 of federal funds in excess of allowable grant funding under the Small Health Care Provider Quality Improvement, CAFA 93.912, U.S Department of Health and Human Services.

Criteria

Federal regulations do not allow funds to be drawn in excess of contract limits.

Cause

The Center's system for managing drawdowns of funds from federal programs did not adequately compare cumulative drawdowns with total grant awards.

Desoto Healthcare Center, Inc.

Schedule of Findings and Responses Year ended December 31, 2016

(Concluded)

Effect

The Center drew down \$28,476 of federal funds in excess of allowable grant funding.

Recommendation

Management should implement procedures to ensure funds drawn down from the grantor do not exceed the grant limits.

Management's plan of corrective action

Management agrees with this finding and has implemented accounting procedures to ensure funds drawn down from the grantor do not exceed grant limits. Management has also entered into an arrangement with the grantor agency to repay the excess drawn down funds.

2016-003 – Use of Restricted Funds

Condition

At December 31, 2016, 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.

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, 2016.

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
2015-001	2014	Timely Filing of Financial Statements	No	Repeated as Finding 2016-001
2015-002	2014	Questioned Costs – Activities Allowed or Unallowed	Yes	Repeated as Finding 2016-002
2015-003	2015	Use of Restricted Funds	No	Repeated as Finding 2016-003