

**SWLA CENTER
FOR HEALTH SERVICES
Lake Charles, Louisiana**

**Financial and Compliance Report
May 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
SWLA Center for Health Services
Lake Charles, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SWLA Center for Health Services (a nonprofit organization), which comprise the statement of financial position as of May 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of SWLA Center for Health Services as of May 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SWLA Center for Health Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management of the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SWLA Center for Health Service's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SWLA Center for Health Service's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SWLA Center for Health Service's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the SWLA Center for Health Service's 2022 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated September 19, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2022, 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 combined financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U. S. *Code of Federal Regulations* (CFR) 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 combined financial statements. In addition, the accompanying combining statement of financial position, combining statement of activities and schedule of compensation, benefits and other payments is also presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued my report dated October 2, 2023, on my consideration of SWLA Center for Health Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 SWLA Center for Health Service'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 SWLA Center for Health Service's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
October 2, 2023

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Financial Position
As of May 31, 2023
With Summarized Comparative Totals as of May 31, 2022

Assets	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 8,644,582	\$ 8,191,852
Patient accounts receivable, net	1,250,527	1,501,234
Other receivables	461,716	461,482
Supplies inventory	96,260	68,637
Prepaid expenses	<u>198,352</u>	<u>174,617</u>
 Total Current Assets	 <u>10,651,437</u>	 <u>10,397,822</u>
 Property, Plant and Equipment		
Furniture and equipment	5,513,799	5,321,235
Building and improvements	13,002,462	12,987,677
Automobiles	568,713	568,713
Operating right-of-use asset	<u>414,982</u>	<u>-</u>
	19,499,956	18,877,625
Less accumulated depreciation	<u>(7,930,490)</u>	<u>(7,059,633)</u>
	11,569,466	11,817,992
Land	<u>953,584</u>	<u>953,584</u>
 Net Property, Plant and Equipment	 <u>12,523,050</u>	 <u>12,771,576</u>
 Total Assets	 <u><u>\$ 23,174,487</u></u>	 <u><u>\$ 23,169,398</u></u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Financial Position (Continued)
As of May 31, 2023
With Summarized Comparative Totals as of May 31, 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 237,984	\$ 517,525
Accrued vacation and payroll	1,082,549	1,011,075
Payroll taxes payable	85,754	81,100
Deferred revenue	-	237,700
Capital lease obligation payable	-	17,148
Current portion of operating right-of-use lease liability	130,584	-
Current portion of notes payable	60,983	63,824
	<u>1,597,854</u>	<u>1,928,372</u>
Long Term Liabilities		
Operating right-of-use lease liability - net of current portion	284,398	-
Notes payable - net of current portion	1,263,592	1,286,896
	<u>3,145,844</u>	<u>3,215,268</u>
Net Assets		
Without donor restrictions	<u>20,028,643</u>	<u>19,954,130</u>
Total Net Assets	<u>20,028,643</u>	<u>19,954,130</u>
Total Liabilities and Net Assets	<u><u>\$ 23,174,487</u></u>	<u><u>\$ 23,169,398</u></u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Activities
For the Year Ended May 31, 2023
With Summarized Comparative Totals for the Year Ended May 31, 2022

	<u>2023</u>	<u>2022</u>
Revenue and Support - Without Donor Restrictions		
Revenue:		
Net patient service revenue	13,481,995	10,994,439
340 B program income	<u>369,130</u>	<u>76,364</u>
Total Revenue	<u>13,851,125</u>	<u>11,070,803</u>
Support and other income:		
Grant awards	8,541,046	6,933,999
Contributions	55,926	138,010
Interest and dividend income	111,414	30,974
In-kind donations	145,588	235,074
PPP loan forgiveness	-	1,803,390
Hurricane insurance recovery	-	4,081,547
Other income	<u>561,401</u>	<u>770,430</u>
Total Support	<u>9,415,375</u>	<u>13,993,424</u>
Total Revenue and Support - Unrestricted	<u>23,266,500</u>	<u>25,064,227</u>
Expenses		
Program services	13,320,368	11,205,045
General and administrative	<u>9,871,619</u>	<u>9,988,103</u>
Total Expenses	<u>23,191,987</u>	<u>21,193,148</u>
Change in Net Assets - Without Donor Restrictions	<u>74,513</u>	<u>3,871,079</u>
Net Assets - Beginning of Year	<u>19,954,130</u>	<u>16,083,051</u>
Net Assets - End of Year	<u>\$ 20,028,643</u>	<u>\$ 19,954,130</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Cash Flows
For the Year Ended May 31, 2023
With Summarized Comparative Totals for the Year Ended May 31, 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 74,513	\$ 3,871,079
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	870,859	723,582
(Increase) decrease in accounts receivable	250,707	2,162,919
(Increase) decrease in other receivable	(234)	(182,412)
(Increase) decrease in supplies inventory	(27,623)	(42,734)
(Increase) decrease in prepaid expenses	(23,735)	87,513
Increase (decrease) in accounts payable	(279,541)	195,465
Increase (decrease) in accrued vacation and payroll	76,128	320,247
Increase (decrease) in deferred revenue	(237,700)	237,700
	<u>703,374</u>	<u>7,373,359</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Investing Activities		
Fixed asset acquisitions	(207,348)	(1,343,732)
	<u>(207,348)</u>	<u>(1,343,732)</u>
Net Cash Provided (Used) by Investing Activities		
Cash Flows From Financing Activities		
Other	(151)	-
Payments on capital lease obligation	(17,148)	(20,049)
PPP loan forgiveness	-	(1,803,390)
Principal payments on loans	(25,997)	(59,451)
Interest income temporarily restricted	-	-
	<u>(43,296)</u>	<u>(1,882,890)</u>
Net Cash Provided (Used) by Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	452,730	4,146,737
Cash and Cash Equivalents - Beginning of Year	<u>8,191,852</u>	<u>4,045,115</u>
Cash and Cash Equivalents - End of Year	<u>\$ 8,644,582</u>	<u>\$ 8,191,852</u>
Supplemental Disclosure:		
Interest paid	<u>\$ 70,742</u>	<u>\$ 65,843</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Schedule of Functional Expenses
For the Year Ended May 31, 2023
With Summarized Comparative Totals for the Year Ended May 31, 2022

	<u>Program Services</u>	<u>Supporting Services General and Administrative</u>	<u>Total</u>	
			<u>2023</u>	<u>2022</u>
Salaries	\$ 8,998,818	\$ 4,760,314	\$ 13,759,132	\$ 11,554,045
Fringe benefits	929,643	626,112	1,555,755	1,329,175
Payroll taxes	646,923	361,856	1,008,779	864,641
Consultants and contractual services	302,195	1,336,009	1,638,204	3,056,962
Supplies	1,926,952	204,047	2,130,999	1,635,330
Dues and subscriptions/printing	-	35,480	35,480	52,940
Maintenance and repairs	60,521	158,104	218,625	304,656
Telephone	-	206,459	206,459	193,713
Postage	10	20,664	20,674	19,399
Insurance	-	204,900	204,900	175,371
Travel, seminars and education	139,317	176,579	315,896	192,217
Taxes and licenses	6,533	34,758	41,291	35,140
Utilities	-	257,104	257,104	224,643
Interest	-	70,742	70,742	65,843
Legal and professional	-	166,368	166,368	157,501
Rent	-	158,822	158,822	109,970
In-kind donations (vaccines)	145,588	-	145,588	235,074
Miscellaneous	990	192,271	193,261	86,380
Service charges	-	105,073	105,073	103,656
Vehicle expense	-	72,008	72,008	53,736
Recruitment cost	15,968	-	15,968	19,174
	<u>13,173,458</u>	<u>9,147,670</u>	<u>22,321,128</u>	<u>20,469,566</u>
Total expenses before depreciation				
Depreciation and amortization	<u>146,910</u>	<u>723,949</u>	<u>870,859</u>	<u>723,582</u>
Total expenses	<u>\$ 13,320,368</u>	<u>\$ 9,871,619</u>	<u>\$ 23,191,987</u>	<u>\$ 21,193,148</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements
May 31, 2023

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

SWLA Center for Health Services (a nonprofit corporation) was incorporated May 1, 1978 to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged. The Organization is a federally qualified health center (FQHC) and is principally funded under a grant from the Office of Public Health Services, a component of the U.S. Department of Health and Human Services (DHHS). The Board of Directors of SWLA Center for Health Services serve the Organization without paid compensation.

Income Taxes

The Organization is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is included in the financial statements. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the IRS, generally for three years after they are filed.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles.

Accounting Estimates

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

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$5,000. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	30
Equipment, furniture and fixtures	3 - 20
Vehicles	5

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2023

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Basis of Presentation

Financial statement presentation follows the recommendations of the FASB ASU 2016-14, Financial Statements of Not-for-Profit Entities. Under FASB ASU 2016-14, the Agency is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions include amounts that are not subject to usage restrictions on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met. Net assets with donor restrictions include 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 Agency. Certain restrictions may need to be maintained in perpetuity.

Accounts Receivable

The Organization records accounts receivable at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors.

Inventory

Supply inventories are stated at lower of cost, determined by the FIFO method, or market.

Grants and Contributions

Grants and contributions are recognized as income when received. The Board reports grants as temporarily restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the grants and contributions are recognized.

Fair Values of Financial Instruments

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair value of all financial instruments as of May 31, 2023, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2023

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fair Values of Financial Instruments (cont'd)

fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, certificate of deposits, accounts receivable, prepaid expenses, deposits, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The Organization is deemed under the Federal Torts Claims Act for claims arising from malpractice and commercial insurance.

Major Funding Source

The Organization receives funds from DHHS, under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of non-compliance by the Organization with the terms of the grants. In addition, if the Organization terminates its DHHS grant activities, all unexpended federal funds are to be returned to DHHS.

Investments

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

Performance Indicator

The Organization utilizes revenues over expenses as its performance indicator.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2023

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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. Retroactive adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

SWLA Center for Health Services has agreements with third-party payors that provide reimbursement to the SWLA Center for Health Services at amounts different from its established rates. Contractual adjustment under third-party reimbursement programs represent the difference between the Primary Health Services Center, Inc.'s rates for services and amounts reimbursed by third-party payors.

Patient service revenue is reported at the amount the Organization expects to be paid for providing patient care. These amounts are due from patients and third-party payors (including health insurers and government programs) and include variable consideration for retroactive revenue adjustments due to the settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors soon after the services are performed.

Patient service revenue is recognized as performance obligations are satisfied based on the nature of the services provided by the Organization. Revenue for performance obligations that are satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving outpatient services. The Organization measures the performance obligations for patient services over a period of less than one day when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the patient.

Because all its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in ASC 606. Under this exemption, the Organization is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Since the unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to outpatient services at the end of the reporting period, the performance obligations for these contracts are generally completed within days or weeks of the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and other implicit price concessions

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2023

Net Patient Service Revenue (continued)

provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and its historical settlement experience. The Organization determines its estimate of implicit price concessions for uninsured patients based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** Certain services are paid at prospectively determined rates based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies (subject to certain limits) with final settlement determined after Medicare Administrative Contractors have audited annual cost reports submitted by the Organization. Services are paid based upon established fee schedules based on services provided.
- **Medicaid:** Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.
- **Other:** Payment agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations provide for payment using prospectively determined rates.

The healthcare industry is subject to laws and regulations concerning government programs, including Medicare and Medicaid, which are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. While the Organization operates a Compliance Program, which reviews its compliance with these laws and regulations, there can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2023

Net Patient Service Revenue (continued)

Consistent with the Organization’s mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). For uninsured patients, the Organization applies a policy discount from standard charges to determine amounts billed to those patients. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with that class of patients.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient’s ability to pay are recorded as bad debt expense.

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the years ending May 31, 2023:

Medicare	\$	261,372
Medicaid		568,443
Private		420,712
		420,712
		\$ 1,250,527

The Organization’s allowance for doubtful accounts for all payor types was calculated using an estimate of uncollectible accounts receivable based on aging. The allowance for doubtful accounts percentages did not change from the prior year’s calculation. During the fiscal year, the Organization automatically updated the patient’s sliding fee application for changes to the current Federal Poverty Level guidelines.

NOTE 3 - COST REPORT RECEIVABLE

The Organization participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Organization participates in the Medicaid program as a federally qualified health center. Final settlements will be made upon completion of audits by program representatives.

NOTE 4 - ACCRUED VACATION

The Organization allows employees to carry over unused vacation hours, with written permission from the executive director. The accrual is calculated based on the employee’s pay rate at the end of the year. At May 31, 2023, accrued vacation totaled \$407,958.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2023

NOTE 5 - ECONOMIC DEPENDENCY

The Organization receives a substantial portion of its total support and revenues from the federal government. During the year ended May 31, 2023, SWLA Center for Health Services recorded \$7,700,649 in grant support from the Department of Health and Human Services. This represents 33% of total support and revenues for the year ended May 31, 2023. These funds are provided to subsidize charity services provided by the Organization.

NOTE 6 - PRIOR YEAR BALANCES

Certain prior year amounts may have been reclassified to conform to current year presentation.

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at various banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC), based on balances and interest rate terms. Amounts held in financial institutions occasionally are in excess of Federal Deposit Insurance Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

The majority of the Organization's patients are located in Southwest Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors was as follows:

	<u>2023</u>
Medicare	20 %
Medicaid	45
Other	<u>35</u>
	<u>100 %</u>

The mix of net patient revenues was as follows:

	<u>2023</u>
Medicare	10 %
Medicaid	83
Other	<u>7</u>
	<u>100 %</u>

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2023

NOTE 8 -FUNCTIONAL ALLOCATION OF EXPENSES

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Organization's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

NOTE 9-401(k) PLAN

The Organization sponsors a 401 (k) Plan covering substantially all of its employees. The employees may elect to make contributions pursuant to a salary reduction agreement upon meeting eligibility requirements. The Organization made matching contributions of \$385,611 for the year ended May 31, 2023.

NOTE 10- RIGHT OF USE OPERATING LEASE

The Organization implemented ASU 2016-02, Leases (Topic 842), effective June 1, 2022. The ASU's core principle is that "a lessee should recognize the assets and liabilities that arise from leases." The ASU considered that "all leases create an asset and a liability," and accordingly requires recording the assets and liabilities related to all leases with a term greater than 12 months. Concurrent with the implementation of ASU 2016-02, and ASU 2018-11 "Leases (Topic 842): Targeted Improvements," which intended to simplify the transition requirement giving the Organization the option to apply the transition provisions of the new standard at the date of adoption instead of at the earliest comparative period. In implementing these ASU's, the Organization elected the options provided in ASU 2018-11. This accounting was applied to all lease agreements using the modified retrospective method, and when implemented with ASU 2018-11, allowed the Organization to recognize the leased assets and liabilities on its balance sheet beginning on March 1, 2022 without restating prior periods. In adopting the standard at June 1, 2022, the Organization recognized a right-of-use operating asset and corresponding lease liability totaling \$414,982. The right-of-use operating lease standards had no material effect on net income; therefore, no adjustment to retained earnings was recorded.

Right-of-use assets are a result of leases in which Organization has entered into a contract with a lessor that conveys control of the right-of-use the lessor's nonfinancial asset (the underlying asset) as specified by the contract for a period of time in an exchange or exchange-like transaction. Such assets are reported on the financial statements, net of amortization. Right-of-use assets are amortized at the lesser of the useful life of the lease term.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2023

NOTE 11- RIGHT OF USE OPERATING LEASE (CONTINUED)

Key estimates and judgments related to leases include how the Organization determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Organization uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Organization generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments for the initial five year lease term.

The Organization monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The Organization is obligated for the rental payments through 2026 which totals \$505,612.

Year Ending May 31,	
2024	\$ 147,984
2025	147,984
2026	147,984
2027	61,660
Total Undiscounted Cash Flows	505,612
Less: Present Value	(90,630)
Total Operating Lease Liability	\$ 414,982

NOTE 11- PRIOR-YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended May 31, 2022, from which the summarized information was derived.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements
May 31, 2023

NOTE 12-IN-KIND DONATIONS

In-kind donations of \$145,588, represent the cost value of vaccines provided to SWLA. The vaccines were administered to qualifying children by SWLA staff.

NOTE 13-LITIGATION

The Organization is involved in litigation arising in the course of business. After consultation with legal counsel, no reliable evaluation of an unfavorable outcome or the estimated range of loss can be provided at this time.

NOTE 14-NOTES PAYABLE

The Organization has a note payable dated April 10, 2023 for a total amount \$910,000 and is secured by real estate in Crowley, Louisiana. As of May 31, 2023, \$910,148 was payable. Interest at date of closing is 6.15%. The loan matures April 2028.

The Organization has a line of credit dated January 17, 2020 for a total amount \$480,000 for the purpose of constructing facility in Oberlin, Louisiana. As of May 31, 2023, \$417,710 was payable. Interest at date of closing is 4.25%.

Loan maturities for each of the five years following May 31, 2023, are as follows:

2024	\$ 60,983
2025	435,203
2026	43,133
2027	49,783
2028	48,724
Thereafter	686,749
Total	\$1,324,575

NOTE 15-SUBSEQUENT EVENT

The Organization evaluated its May 31, 2023 financial statements for subsequent events through the date of the independent auditor's report, the date the financial statements were available to be issued.

In August 2020, Hurricane Laura inflicted extensive damage to the Organization's Lake Charles, Louisiana facility. Restorative efforts to the Lake Charles, Louisiana facility are ongoing as of May 31, 2023. The estimated cost to restore the facility could range from \$6 million to \$15 million, depending on the final facility design.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements
May 31, 2023

NOTE 16 – QUANTITATIVE AND QUALITATIVE LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$10,356,825 of financial assets available within one year of the statement of financial position date to meet general expenditures consisting substantially of cash totaling \$8,644,582 and receivables totaling \$1,712,243. None of the financial assets are subject to donor or other restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Program Year</u>	<u>Program Receipts</u>	<u>Program Expenses</u>
U. S. Department of Health and Human Services					
Direct Programs:					
Community Health Center Section 330	93.224	H80CS00558	* 6/1/22 - 5/31/23	\$ 5,241,181	\$ 5,241,181
American Rescue Plan Act Funding for Health Centers	93.224	H8F41553	* 6/1/22 - 5/31/23	1,894,417	1,894,417
Coronavirus Supplemental funding for Health Centers COVID-19	93.527	H8GCS47598	* 6/1/22 - 5/31/23	154,503	154,503
Passed through:					
Project Hope - Community Based Workforce to Build COVID-19 Vaccine Confidence	93.011		6/1/22 - 5/31/23	410,548	410,548
Total U. S. Department of Health and Human Services				<u>7,700,649</u>	<u>7,700,649</u>
U. S. Department of Homeland Security					
Passed through:					
Louisiana Department of Homeland Security	97.036		* 6/1/22 - 5/31/23	<u>806,287</u>	<u>806,287</u>
U. S. Department of Agriculture					
Passed through:					
Louisiana Department of Health and Hospitals: Office of Public Health	10.572		10/1/22 - 9/30/23	<u>34,110</u>	<u>34,110</u>
Total federal assistance				<u>\$ 8,541,046</u>	<u>\$ 8,541,046</u>

* Denotes major program

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of SWLA Center for Health Services and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements contained by Title 2 of U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Certain costs have been allocated to the federal program in accordance with OMB Circular A-122, *Cost Principles of Non-Profit Organizations*. The amounts presented in this schedule do not differ from the amounts presented in, or used in the preparation of the financial statements.

The Organization has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

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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*

Board of Directors
SWLA Center for Health Services
Lake Charles, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of SWLA Center for Health Services (a nonprofit organization), which comprise the statement of financial position as of May 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated October 2, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SWLA Center for Health Services' 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 SWLA Center for Health Services' internal control. Accordingly, we do not express an opinion on the effectiveness of SWLA Center for Health Services' internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SWLA Center for Health Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
October 2, 2023

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

Board of Directors
SWLA Center for Health Services
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the SWLA Center for Health Service's compliance with the types of compliance requirements identified as subject in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended May 31, 2023. SWLA Center for Health Service's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the SWLA Center for Health Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SWLA Center for Health Services, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SWLA Center for Health Service's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SWLA Center for Health Service's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SWLA Center for Health Service's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SWLA Center for Health Services' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SWLA Center for Health Service's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SWLA Center for Health Service's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SWLA Center for Health Service's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
October 2, 2023

SWLA CENTER FOR HEALTH SERVICES

**Schedule of Findings and Questioned Costs
Year Ended May 31, 2023**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued				Unmodified
Internal control over financial reporting:				
Material weaknesses identified?	___	Yes	<u> X </u>	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	<u> X </u>	None reported
Noncompliance material to financial statements noted?	___	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	___	Yes	<u> X </u>	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	<u> X </u>	No
Type of auditor’s report issued on compliance for major programs:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	___	Yes	<u> X </u>	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	US Department of Health and Human Services, Community Health Center Cluster
93.527	Coronavirus Supplemental funding for Health Center Cluster
97.036	US Department of Homeland Security

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

SWLA CENTER FOR HEALTH SERVICES

**Schedule of Findings and Questioned Costs
Year Ended May 31, 2022**

SECTION II – FINDINGS

None

SECTION III – Prior Year Findings and Questioned Costs

None

SWLA Center for Health Services, Inc.

Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer

May 31, 2023

Agency Head Name: William Brent III, Chief Executive Officer

NO COMPENSATION PAID FROM PUBLIC FUNDS

Purpose	Amount
Salary	\$0.00
Benefits-health insurance	0.00
Benefits-retirement	0.00
Benefits-Life, ADD, LTD	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements – Auto Mileage Reimb	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of SWLA Center for Health Services and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2022 through May 31, 2023. Louisiana Primary Care Association, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

SWLA Center for Health Services has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period June 1, 2022 through May 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

- i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
- ii. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
- iii. ***Disbursements***, including processing, reviewing, and approving.

- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- viii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Were any exceptions found? - No

We performed the Information Technology Disaster Recovery/Business Continuity procedure (IAXI) and discussed the results with management.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Were any exceptions found? - No

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Were any exceptions found? - No

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - i. Employees responsible for cash collections do not share cash drawers/registers.
 - ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

These procedures are not applicable to the public funds administered by this non-profit organization.

5) Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - ii. At least two employees are involved in processing and approving payments to vendors.
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- [Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

The Non-Payroll Disbursements items were subject to testing under the Allowable Costs and Procurement in the OMB Compliance Supplement (Uniform Guidance).

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

The Credit Cards/Debit Cards/Fuel Cards/P-Cards items were subject to testing under the Allowable Costs and Procurement in the OMB Compliance Supplement (Uniform Guidance).

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - i. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - ii. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

- iii. Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- iv. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The Travel and Travel-Related Expense Reimbursements items were subject to testing under the Allowable Costs and Procurement in the OMB Compliance Supplement (Uniform Guidance).

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - iii. If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

The Contracts items were subject to testing under the Allowable Costs and Procurement in the OMB Compliance Supplement (Uniform Guidance).

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning

- leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or officials' cumulative leave records, agree the pay rates to the employee's or officials' authorized pay rates in the employee's or officials' personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

The Payroll and Personnel items were subject to testing under the Allowable Costs and Procurement in the OMB Compliance Supplement (Uniform Guidance).

10) Ethics

- A. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

These procedures are not applicable to this non-profit organization.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was

obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

These procedures are not applicable to this non-profit organization.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Were any exceptions found? - No

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the Information Technology Disaster Recovery/Business Continuity procedures and discussed the results with management.

14) Prevention Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

These procedures are not applicable to this non-profit organization.

We were engaged by SWLA Center for Health Services to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of SWLA Center for Health Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Steven M DeRouen & Associates LLC

Lake Charles, Louisiana
October 2, 2023