

**SOUTHWEST LOUISIANA PRIMARY
HEALTH CARE CENTER, INC.
Opelousas, Louisiana**

**Financial and Compliance Report
June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana

Report on the Financial Statements

I have audited the accompanying statements of Southwest Louisiana Primary Health Care Center, Inc., (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana Primary Health Care Center, Inc. as of June 30, 2020, 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.

Report on Summarized Comparative Information

I have previously audited Southwest Louisiana Primary Health Care Center, Inc.'s June 30, 2019 financial statements, and my report dated December 26, 2019, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the 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 of Federal Awards*, and the Schedule of Compensation, Benefits and Other Payments, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 7, 2020, on my consideration of Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting and on my 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 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 Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
December 7, 2020

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Statements of Financial Position
As of June 30, 2020
With Summarized Comparative Totals as of June 30, 2019

Assets	2020	2019
Current Assets		
Cash and cash equivalents	\$ 3,035,464	\$ 2,619,709
Patient accounts receivable, net	563,387	297,043
Other receivables - net of allowance for uncollectibles of \$-0- for 2020 and \$194,562 for 2019	230,262	53,200
Inventory	144,719	158,989
Certificates of deposit	27,307	27,307
Prepaid expenses	4,055	-
Deposits	5,000	5,000
Total Current Assets	4,010,194	3,161,248
Property, Plant and Equipment		
Furniture and equipment	2,251,055	2,103,779
Building and improvements	3,852,767	3,553,388
	6,103,822	5,657,167
Less accumulated depreciation	(2,751,825)	(2,523,544)
	3,351,997	3,133,623
Land	100,000	100,000
Construction in progress	5,320	-
Net Property, Plant and Equipment	3,457,317	3,233,623
Other Assets		
Investment LPCACO	5,774	5,774
Goodwill	334,845	372,050
Total Other Assets	340,619	377,824
Total Assets	\$ 7,808,130	\$ 6,772,695
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 131,933	\$ 109,796
Accrued payroll and related liabilities	341,398	245,070
Deferred revenue	278,297	-
Total Current liabilities	751,628	354,866
Long Term Liabilities		
Notes payable - net of current portion	600,000	-
Total Long Term Liabilities	600,000	-
Total Liabilities	1,351,628	354,866
Net Assets		
Without donor restrictions	6,456,502	6,417,829
Total Liabilities and Net Assets	\$ 7,808,130	\$ 6,772,695

See accompanying notes to the financial statements

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Statements of Activities
For the Year Ended June 30, 2020
With Summarized Comparative Totals for the Year Ended June 30, 2019

	<u>2020</u>	<u>2019</u>
Revenue and Support		
Revenue:		
Gross patient service revenue	\$ 3,358,768	\$ 3,651,898
Less contractual allowances and discounts	(368,265)	(233,396)
Less bad debts	<u>(16,642)</u>	<u>(73,575)</u>
Net patient service revenue	<u>2,973,861</u>	<u>3,344,927</u>
Support:		
Grant awards	3,335,110	3,336,812
Interest and investment income (loss)	2,153	2,462
Other income	<u>501,233</u>	<u>17,284</u>
Total Support	<u>3,838,496</u>	<u>3,356,558</u>
Total Revenue and Support	<u>6,812,357</u>	<u>6,701,485</u>
Expenses		
Program Services:		
Medical	3,744,299	3,247,702
Dental	761,093	594,034
Social services	<u>126,988</u>	<u>-</u>
Total Program Services	<u>4,632,380</u>	<u>3,841,736</u>
Support Services:		
General and administrative	<u>2,141,304</u>	<u>1,995,264</u>
Total Expenses	<u>6,773,684</u>	<u>5,837,000</u>
Change in Net Assets	38,673	864,485
Unrestricted Net Assets - Beginning of Year	<u>6,417,829</u>	<u>5,553,344</u>
Unrestricted Net Assets - End of Year	<u>\$ 6,456,502</u>	<u>\$ 6,417,829</u>

See accompanying notes to the financial statements

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Statements of Cash Flows
For the Year Ended June 30, 2020
With Summarized Comparative Totals for the Year Ended June 30, 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 38,673	\$ 864,485
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	265,486	196,309
Changes in operating assets and liabilities:		
Change in allowance for doubtful accounts	(158,694)	140,423
(Increase) decrease in accounts receivable	(302,212)	391,271
(Increase) decrease in grants receivable	-	139,185
(Increase) decrease in inventory	14,270	(10,660)
(Increase) decrease in prepaid expenses	(4,055)	-
Increase (decrease) in accounts payable	22,137	21,054
Increase (decrease) in accrued liabilities	96,328	101,923
Increase (decrease) in deferred revenue	278,297	-
Other	2	(4,209)
	<u>250,232</u>	<u>1,839,781</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Investing Activities		
Fixed asset acquisitions	(451,977)	(212,540)
	<u>(451,977)</u>	<u>(212,540)</u>
Net Cash Provided (Used) by Investing Activities		
Cash Flows From Financing Activities		
Proceeds from the issuance of long-term debt	600,000	-
Principal payments on long-term debt	-	(109,920)
Payments received on other receivables	17,500	7,000
	<u>617,500</u>	<u>(102,920)</u>
Net Cash Provided (Used) by Financing Activities		
Net Increase in Cash and Cash Equivalents	415,755	1,524,321
Cash and Cash Equivalents - Beginning of Year	2,619,709	1,095,388
Cash and Cash Equivalents - End of Year	<u>\$ 3,035,464</u>	<u>\$ 2,619,709</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u>\$ -</u>	<u>\$ 901</u>

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Statements of Functional Expenses
For the Year Ended June 30, 2020
With Summarized Comparative Totals for the Year Ended June 30, 2019

	Program Services				Supporting Services	Total	
	Medical Services	Dental Services	Social Services	Total	General and Administrative	2020	2019
Salaries	\$ 2,172,634	\$ 544,148	\$ 117,820	\$ 2,834,602	\$ 876,196	\$ 3,710,798	\$ 3,068,313
Fringe benefits	77,181	8,330	-	85,511	425,481	510,992	107,823
Payroll taxes	167,984	40,339	9,168	217,491	58,052	275,543	257,742
Consultants and contractual services	706,846	77,591	-	784,437	73,600	858,037	837,371
Supplies	205,117	63,388	-	268,505	41,891	310,396	232,804
Dues and subscriptions	7,681	-	-	7,681	45,653	53,334	27,582
Maintenance and repairs	105,453	6,725	-	112,178	93,819	205,997	192,621
Telephone	35,450	12,030	-	47,480	30,451	77,931	51,686
Postage	485	-	-	485	4,477	4,962	4,340
Insurance	12,066	-	-	12,066	52,814	64,880	45,619
Travel and seminars	1,020	-	-	1,020	50,944	51,964	45,038
Utilities	33,348	2,644	-	35,992	28,826	64,818	69,136
Interest and bank charges	129	-	-	129	12,252	12,381	13,459
Legal and professional	146,095	5,667	-	151,762	235,865	387,627	374,048
Rent expense	60,000	-	-	60,000	-	60,000	60,000
Bad debt expense (recovery)	-	-	-	-	(194,562)	(194,562)	194,562
Miscellaneous	12,215	231	-	12,446	16,338	28,784	41,299
Advertising and promotion	595	-	-	595	23,721	24,316	17,248
Total expenses before depreciation	3,744,299	761,093	126,988	4,632,380	1,875,818	6,508,198	5,640,691
Depreciation and amortization	-	-	-	-	265,486	265,486	196,309
Total expenses	\$ 3,744,299	\$ 761,093	\$ 126,988	\$ 4,632,380	\$ 2,141,304	\$ 6,773,684	\$ 5,837,000

See accompanying notes to the financial statements

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2020

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

Nature of Activities

Southwest Louisiana Primary Health Care Center, Inc. (a non-profit, non-stock corporation) was incorporated in the State of Louisiana on May 27, 1992 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).

Income Taxes

The Organization is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the financial statements. The Organization's Form 990, Return of Organization Exempt for Income Tax, is subject to examination by the IRS, generally for three years after it was 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 accounting principles generally accepted in the United States of America 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.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2020

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

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 \$500. Repairs and maintenance are charged to operations when incurred. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5 - 40
Equipment, furniture and fixtures	3 - 20
Vehicles	5

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 Organization. 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.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2020

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

Allowance for Doubtful Accounts and Bad Debts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

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.

Inventory

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

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2020

**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.

Southwest Louisiana Primary Health Care Center, Inc. has agreements with third-party payors that provide reimbursement to the Organization at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between Southwest Louisiana Primary Health Care Center's rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare A – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.

Medicare B- Fee for Service – Reimbursed per encounter up to the payors allowable amount.

Regular Medicaid and Medicaid Bayou Health – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.

All Other Medicaid – Fee-For-Service – Reimbursed per encounter up to the payors allowable amount.

Commercial – Fee-For-Service – Reimbursed per contract or per payor's allowable fee schedule.

Advertising Expense

The Organization expenses the cost of advertising as the expense is incurred. For the year ended June 30, 2020, the cost totaled \$24,316.

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.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2020

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

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.

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.

Goodwill

The Organization purchased a pediatric practice during the year ending June 30, 2016. The excess of the purchase price over the fair value of the assets acquired resulted in the recording of goodwill in the amount of \$372,050. Goodwill acquired in the purchase of a business and determined to have an indefinite useful life is not required to be amortized, but may be tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. The Organization may also elect to amortize goodwill over 10 years or a period of less than 10 years, if it demonstrates another useful life is more appropriate. The Organization began amortizing goodwill over a 10 year period beginning July 1, 2019. The gross carrying amount of goodwill is \$372,050. The accumulated amortization of goodwill is \$37,205. Amortization expense for the year ending June 30, 2020 is \$37,205.

Performance Indicator

The Organization utilizes revenues over expenses as its performance indicator.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2020

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the year ending June 30, 2020:

Medicare	\$ 168,348
Medicaid	423,009
Private	<u>322,545</u>
	913,902
Less allowance for doubtful accounts	<u>350,515</u>
	<u>\$ 563,387</u>

The method to calculate allowance for doubtful accounts did not significantly change from the prior year. The Organization's write-offs, which primarily consisted of self-pay charges, totaled \$16,642 for the year ended June 30, 2020. The Organization changed its charity care policy during the prior year to update the patient's sliding fee application for changes to the 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. 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.

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 June 30, 2020 accrued vacation totaled \$154,269.

NOTE 5 - ECONOMIC DEPENDENCY

The Organization receives a substantial portion of its total support and revenues from the federal government. During the year ended June 30, 2020, Southwest Louisiana Primary Health Care Center, Inc. recorded \$3,244,244 in grant support from the Department of Health and Human Services. This represents 46% of total support and revenues for the year ended June 30, 2020.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
 Opelousas, Louisiana
 Notes to Financial Statements
 June 30, 2020

NOTE 6 - 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 7 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at various banks. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. Account balances held are occasionally 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 south central Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of June 30, 2020 was as follows:

Medicare	18 %
Medicaid	46
Other	36
	<u>100 %</u>

The mix of net patient revenues for the year ended June 30, 2020 was as follows:

Medicare	5 %
Medicaid	71
Other	24
	<u>100 %</u>

NOTE 8 - PRIOR-YEAR SUMMARIZED 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 June 30, 2019, from which the summarized information was derived.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2020

NOTE 9 – INVESTMENTS

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair market hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs are inputs (other than quoted prices in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

The amortized cost and fair values measured on a recurring basis of investment securities as of June 30, 2020 are as follows:

	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Certificates of deposit (Level 2 Observable Inputs)	\$ 27,307	\$ 27,307	\$ -0-

NOTE 10 – LEASES

The Organization has entered into a 60 month building lease starting September 1, 2015 with rent payments of \$5,000 per month. Rent expense for the year ending June 30, 2020 was \$60,000. Future minimum payments are as follows for the years ending June 30,:

2021	\$ <u>10,000</u>
Total	\$ <u>10,000</u>

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2020

NOTE 11 – FAIR VALUE OF 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 at June 30, 2020, does 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 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, accounts receivable, prepaid expenses, certificates of deposit, inventory, 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.

NOTE 12 – CHARITY CARE

The Organization provides care to patients who qualify under federal guidelines and other policies of the Organization at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data. The amount of costs associated with charity care for the fiscal year ended June 30, 2020 was \$288,916.

NOTE 13 – RETIREMENT PLAN

The Organization sponsors a 403 (b) Plan. The Organization will contribute up to three percent on eligible wages of eligible employees. All participating employees are 50% vested after 3 years of employment and 100% vested after 5 years of employment. To be eligible, an employee must be employed with the Organization for at least 180 days and work at least 32 hours per week. The 403(b) expense for the fiscal year ended June 30, 2020 was \$38,935.

NOTE 14 – SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2020 financial statements for subsequent events through the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2020

NOTE 15 – QUANTITATIVE AND QUALITATIVE LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the board of directors approves that action.

	2020
Current assets	\$ 4,010,194
Subtract: supplies inventory	(144,719)
Subtract: prepaid expenses	(4,055)
Financial assets available to meet cash needs for general expenditure within one year	\$ 3,861,420

NOTE 16 – NOTES PAYABLE

On May 5, 2020 the Organization was granted a loan from Hancock Whitney Bank in the amount of \$600,000, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. All payments are deferred for a period of 6 months from the date of the note. Interest is to be paid monthly beginning November 5, 2020 until May 5, 2022 at a rate of 1%. The estimated loan balance of \$600,000 plus any unpaid interest will be due on May 5, 2022. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization intends to use the entire loan amount for qualifying expenses.

NOTE 17 – PROVIDER RELIEF FUNDS

The CARES Act established a Provider Relief Fund to be used for economic support of health care entities in connection with health-care-related expenses or lost revenues attributable to COVID-19 and treatment of uninsured COVID-19 patients. The Organization received \$686,418 in provider relief funds (PRF) during FYE June 30, 2020. \$278,297 of these funds are reported as deferred revenue until the conditions of the funding have been met in a subsequent reporting period.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<u>Program Title</u>	<u>CFDA 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	H80CS00579	3/1/20 - 2/28/21	\$ 3,213,381	\$ 3,213,381
Direct programs:					
* Community Health Center Section 330 COVID - 19	93.224	H80CS00579	3/1/20 - 2/28/21	\$ 30,863	\$ 30,863
Total federal assistance				<u>\$ 3,244,244</u>	<u>\$ 3,244,244</u>

*Denotes major program.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Louisiana Primary Health Care Center, Inc., 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 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 guidance.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Schedule of Compensation, Benefits and Other Payments to Executive Director
Year Ended June 30, 2020

Agency Head Name: **Dodie Lamott, 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 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
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana

I 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 Southwest Louisiana Primary Health Care Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 December 7, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Louisiana Primary Health Care Center, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Southwest Louisiana Primary Health Care Center, Inc.'s 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Louisiana Primary Health Care Center, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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

Lake Charles, Louisiana
December 7, 2020

STEVEN M. DEROUEN & ASSOCIATES

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

The Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana

Report on Compliance for Each Major Federal Program

I have audited Southwest Louisiana Primary Health Care Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwest Louisiana Primary Health Care Center, Inc.'s major federal programs for the year ended June 30, 2020. Southwest Louisiana Primary Health Care Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Southwest Louisiana Primary Health Care Center, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southwest Louisiana Primary Health Care Center, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Southwest Louisiana Primary Health Care Center, Inc.'s compliance.

Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana
Page 2

Opinion on Each Major Federal Program

In my opinion, Southwest Louisiana Primary Health Care Center, Inc. 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 June 30, 2020.

Report on Internal Control Over Compliance

Management of Southwest Louisiana Primary Health Care Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, I considered Southwest Louisiana Primary Health Care Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Southwest Louisiana Primary Health Care Center, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my 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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
December 7, 2020

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, LA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:					
Material weaknesses identified?	___	Yes	___	X	No
Significant deficiency identified not considered to be material weaknesses?	___	Yes	___	X	None reported
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 Circular A-133, Section .510 (a)?	___	Yes	___	X	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 Section 330 and COVID-19

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

Auditee qualified as low-risk auditee for 93.224 X Yes ___ No

No separate management letter was issued.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The results of our tests disclosed no instances of non-compliance with the requirements applicable to each major federal program that are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2020

PRIOR YEAR FINDINGS

None