

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

**Financial and Compliance Report
May 31, 2019**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3 - 4
Statements of Activities	5
Statements of Cash Flows	6
Statements of Functional Expenses	7
Notes to Financial Statements	8 - 15
Supplementary Information	
Schedule of Expenditures of Federal Awards	16
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 <i>Government Auditing Standards</i>	17 - 18
Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	19 - 20
Schedule of Findings and Questioned Cost	21 - 22
Schedule of Compensation, Benefits and Other Payments	23

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying statements of SWLA Center for Health Services, (a non-profit organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities, functional expenses, and cash flows for the fiscal 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 SWLA Center for Health Services as of May 31, 2019, and the changes in its net assets and its cash flows for the fiscal 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 the SWLA Center for Health Services' May 31, 2018 financial statements and my report dated November 19, 2018 expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the fiscal year ended May 31, 2018, 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* 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 September 3, 2019, on my consideration of SWLA Center for Health Services' 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 SWLA Center for Health Services' internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
September 3, 2019

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Financial Position
As of May 31, 2019
With Summarized Comparative Totals as of May 31, 2018

Assets	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 1,516,146	\$ 1,524,012
Patient accounts receivable, net	1,755,192	2,259,956
Other receivables	104,646	103,363
Supplies inventory	47,158	44,358
Prepaid expenses	<u>234,805</u>	<u>167,450</u>
 Total Current Assets	 <u>3,657,947</u>	 <u>4,099,139</u>
Property, Plant and Equipment		
Furniture and equipment	5,050,143	4,691,689
Building and improvements	15,245,084	12,791,209
Automobiles	<u>82,437</u>	<u>82,437</u>
	20,377,664	17,565,335
Less accumulated depreciation	<u>(8,742,845)</u>	<u>(8,181,370)</u>
	11,634,819	9,383,965
Land	953,584	953,584
Construction in progress	<u>-</u>	<u>906,415</u>
 Net Property, Plant and Equipment	 <u>12,588,403</u>	 <u>11,243,964</u>
Other Assets		
Other assets - ACO	<u>-</u>	<u>7,000</u>
Total Other Assets	<u>-</u>	<u>7,000</u>
 Total Assets	 <u>\$ 16,246,350</u>	 <u>\$ 15,350,103</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Financial Position (Continued)
As of May 31, 2019
With Summarized Comparative Totals as of May 31, 2018

	2019	2018
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 371,081	\$ 662,006
Accrued vacation and payroll	770,032	665,797
Payroll taxes payable	59,820	54,488
Current portion of notes payable	33,058	35,841
 Total Current liabilities	 1,233,991	 1,418,132
Long Term Liabilities		
Notes payable - net of current portion	978,510	-
 Total Liabilities	 2,212,501	 1,418,132
Net Assets		
Without donor restrictions	14,033,849	13,931,971
Total Net Assets	14,033,849	13,931,971
 Total Liabilities and Net Assets	 \$ 16,246,350	 \$ 15,350,103

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Activities
For the Year Ended May 31, 2019
With Summarized Comparative Totals for the Year Ended May 31, 2018

	<u>2019</u>	<u>2018</u>
Revenue and Support - Without Donor Restrictions		
Revenue:		
Gross patient service revenue	\$ 17,748,252	\$ 17,885,678
Less: contractual allowances and discounts	<u>(5,483,266)</u>	<u>(5,627,600)</u>
	12,264,986	12,258,078
Less: provision for uncollectible accounts	<u>(1,706,454)</u>	<u>(1,548,894)</u>
Net patient service revenue	10,558,532	10,709,184
340 B program income	<u>143,906</u>	<u>283,220</u>
 Total Revenue	 <u>10,702,438</u>	 <u>10,992,404</u>
 Support and other income:		
Grant awards	5,945,802	5,223,552
Contributions	21,543	18,913
Interest and dividend income	20,078	24,928
In-kind donations	398,073	313,213
Other income	<u>753,387</u>	<u>808,403</u>
 Total Support	 <u>7,138,883</u>	 <u>6,389,009</u>
 Total Revenue and Support - Unrestricted	 <u>17,841,321</u>	 <u>17,381,413</u>
 Expenses		
Program services	10,734,640	10,575,484
General and administrative	<u>7,004,803</u>	<u>6,794,344</u>
 Total Expenses	 <u>17,739,443</u>	 <u>17,369,828</u>
 Change in Net Assets - Without Donor Restrictions	 <u>101,878</u>	 <u>11,585</u>
 Net Assets - Beginning of Year	 <u>13,931,971</u>	 <u>13,920,386</u>
 Net Assets - End of Year	 <u><u>\$ 14,033,849</u></u>	 <u><u>\$ 13,931,971</u></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, 2018
With Summarized Comparative Totals for the Year Ended May 31, 2017

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 101,878	\$ 11,585
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	561,635	640,097
Change in allowance for doubtful accounts	1,554,221	1,276,029
(Increase) decrease in accounts receivable	(1,049,457)	(543,199)
Other	5,555	(79,801)
(Increase) decrease in supplies inventory	(2,800)	9,862
(Increase) decrease in prepaid expenses	(67,355)	(17,213)
Increase (decrease) in accounts payable	(290,925)	242,468
Increase (decrease) in accrued vacation and payroll	109,567	11,712
Net Cash Provided (Used) by Operating Activities	<u>922,319</u>	<u>1,551,540</u>
Cash Flows From Investing Activities		
Fixed asset acquisitions	<u>(1,905,913)</u>	<u>(900,133)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,905,913)</u>	<u>(900,133)</u>
Cash Flows From Financing Activities		
Proceeds from loans	985,182	35,841
Payments on capital lease obligation	-	(31,587)
Principal payments on loans	<u>(9,454)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>975,728</u>	<u>4,254</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,866)	655,661
Cash and Cash Equivalents - Beginning of Year	<u>1,524,012</u>	<u>868,351</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,516,146</u>	<u>\$ 1,524,012</u>
Supplemental Disclosure:		
Interest paid	<u>\$ 20,800</u>	<u>\$ 7,530</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, 2018
With Summarized Comparative Totals for the Year Ended May 31, 2017

	<u>Program Services</u>	<u>Supporting Services General and Administrative</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
Salaries	\$ 7,068,755	\$ 2,822,616	\$ 9,891,371	\$ 9,613,756
Fringe benefits	878,818	491,873	1,370,691	1,407,192
Payroll taxes	493,104	220,293	713,397	694,195
Consultants and contractual services	570,143	1,531,049	2,101,192	2,102,081
Supplies	980,832	169,222	1,150,054	1,054,437
Dues and subscriptions/printing	-	41,784	41,784	44,684
Maintenance and repairs	59,133	180,738	239,871	179,248
Telephone	-	185,070	185,070	205,990
Postage	71	28,703	28,774	24,791
Insurance	-	118,220	118,220	111,970
Travel, seminars and education	87,735	69,938	157,673	139,301
Taxes and licenses	7,769	27,596	35,365	33,515
Utilities	-	254,782	254,782	242,777
Interest	-	20,800	20,800	7,530
Legal and professional	-	150,826	150,826	145,795
Rent	-	80,723	80,723	81,935
In-kind donations (vaccines)	398,073	-	398,073	313,213
Miscellaneous	7,464	99,552	107,016	175,780
Service charges	-	26,236	26,236	56,027
Vehicle expense	-	16,851	16,851	18,979
Recruitment cost	89,039	-	89,039	76,535
	<u>10,640,936</u>	<u>6,536,872</u>	<u>17,177,808</u>	<u>16,729,731</u>
Total expenses before depreciation				
Depreciation and amortization	<u>93,704</u>	<u>467,931</u>	<u>561,635</u>	<u>640,097</u>
Total expenses	<u>\$ 10,734,640</u>	<u>\$ 7,004,803</u>	<u>\$ 17,739,443</u>	<u>\$ 17,369,828</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements
May 31, 2019

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, 2019

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.

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.

Inventory

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

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2019

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 Organization at amounts different from its established rates. Contractual adjustment under third-party reimbursement programs represent the difference between the SWLA Center for Health Services' 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 payer's allowable fee schedule.

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, 2019, 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 fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2019

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

Fair Values of Financial Instruments (continued)

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, 2019

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the years ending May 31, 2019:

Medicare		\$	366,221
Medicaid			832,244
Private			2,968,606
			4,167,071
Less allowance for doubtful accounts			(2,411,879)
			\$ 1,755,192

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. The Organization's write-offs, which primarily consisted of self-pay charges, totaled \$1,706,454 for the fiscal year May 31, 2019. 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, 2019, accrued vacation totaled \$349,321.

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, 2019, SWLA Center for Health Services recorded \$5,733,270 in grant support from the Department of Health and Human Services. This represents 32% of total support and revenues for the year ended May 31, 2019. 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.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2019

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>2019</u>
Medicare	21 %
Medicaid	47
Other	<u>32</u>
	<u>100 %</u>

The mix of net patient revenues was as follows:

	<u>2019</u>
Medicare	11 %
Medicaid	74
Other	<u>15</u>
	<u>100 %</u>

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.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2019

NOTE 9 -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 ending May 31, 2019 was \$1,765,773.

NOTE 10-401(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 \$313,798 for the year ended May 31, 2019.

NOTE 11- LEASES

The Organization (lessor) entered into a 24-month building lease dated December 13, 2017, commencing January 2018 and expiring January 2020, currently at \$1,250 per month. The office space leased is 1,250 square feet of the Organization's 26,000 square foot clinic building in Lafayette, Louisiana. Future minimum rentals for FYE May 2020 is \$10,000.

NOTE 12-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 May 31, 2018, from which the summarized information was derived.

NOTE 13-IN-KIND DONATIONS

In-kind donations of \$398,073, represent the cost value of vaccines provided to SWLA. The vaccines were administered to qualifying children by SWLA staff.

NOTE 14-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.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements May 31, 2019

NOTE 15-CONSTRUCTION LOAN PAYABLE

The Organization has a line of credit dated November 29, 2017 for a total amount \$1,021,023 for the purpose of constructing facility in Crowley, Louisiana. As of May 31, 2019, \$1,011,568 was payable. Interest at date of closing is 4.5%.

Loan maturities for each of the five years following May 31, 2019, are as follows:

2020	\$ 33,058
2021	34,577
2022	36,165
2023	907,768
2024	<u>-0-</u>
Total	<u>\$ 1,011,568</u>

NOTE 16-SUBSEQUENT EVENT

The Organization evaluated its May 31, 2019 financial statements for subsequent events through the date of the independent auditor's report, 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.

NOTE 17 – 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.

	2019
Current assets	\$ 3,657,947
Subtract: supplies inventory and prepaid expenses	(281,963)
Financial assets available to meet cash needs for general expenditure within one year	\$ 3,375,984

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2019

<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	H80CS00558	* 6/1/18 - 5/31/19	\$ 4,995,000	\$ 4,995,000
Grants for Capital Development of Health Centers	93.526	C8DCS29102	* 6/30/2015 - 3/31/2019	738,270	738,270
U. S. Department of Agriculture Passed through: Louisiana Department of Health and Hospitals: Office of Public Health					
	10.572		10/1/18 - 9/30/19	<u>145,497</u>	<u>145,497</u>
Total federal assistance				<u>\$ 5,878,767</u>	<u>\$ 5,878,767</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.

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD

P. O. BOX 4265

LAKE CHARLES, LA 70606

(337) 513-4915 OFFICE/ (337) 205-6927 FAX

steve@sderouencpa.com

Member American Institute of

Certified Public Accountants

Member Louisiana Society of

Certified Public Accountants

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

Board of Directors

SWLA Center for Health Services

Lake Charles, 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 SWLA Center for Health Services (a nonprofit organization), which comprise the statement of financial position as of May 31, 2019, 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 September 3, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SWLA Center for Health Services' financial statements are free of material misstatement, I 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, 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
September 3, 2019

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD

P. O. BOX 4265

LAKE CHARLES, LA 70606

(337) 513-4915 OFFICE/ (337) 205-6927 FAX

steve@sderouencpa.com

Member American Institute of

Certified Public Accountants

Member Louisiana Society of

Certified Public Accountants

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

I have audited SWLA Center for Health Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SWLA Center for Health Services' major federal programs for the year ended May 31, 2019. SWLA Center for Health Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of SWLA Center for Health Services' 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 SWLA Center for Health Service'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 SWLA Center for Health Services' compliance.

Opinion on Each Major Federal Program

In my opinion, 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, 2019.

Report on Internal Control Over Compliance

Management of SWLA Center for Health Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SWLA Center for Health Services' 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 SWLA Center for Health Services' 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of 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.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
September 3, 2019

SWLA CENTER FOR HEALTH SERVICES

**Schedule of Findings and Questioned Costs
Year Ended May 31, 2019**

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 deficiencies 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 deficiencies identified not considered to be material weaknesses?	___	Yes	___	X	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	___	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
93.526	US Department of Health and Human Services, Capital Development of Health Centers

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

Auditee qualified as low-risk auditee? X Yes ___ No

SWLA CENTER FOR HEALTH SERVICES

**Schedule of Findings and Questioned Costs
Year Ended May 31, 2019**

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, 2019

Agency Head Name: JayVon Muhamad, 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