

**ST. GABRIEL HEALTH CLINIC, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FEBRUARY 28, 2017**  
**(With Summarized Financial**  
**Information for 2016)**

ST. GABRIEL HEALTH CLINIC, INC.  
February 28, 2017 and 2016  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
St. Gabriel Health Clinic, Inc.  
St. Gabriel, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of St. Gabriel Health Clinic, Inc., (a nonprofit organization) which comprise the statement of financial position as of February 28, 2017 and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Gabriel Health Clinic, Inc., as of February 28, 2017, 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

We have previously audited the St. Gabriel Health Clinic, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended February 29, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other-Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 16 - 18 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 our 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*, we have also issued our report dated October 26, 2017, on our consideration of St. Gabriel Health Clinic, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 St. Gabriel Health Clinic, Inc.'s internal control over financial reporting and compliance.

*Banks, Finley, White & Co. of MS*

Ridgeland, Mississippi  
October 26, 2017

ST. GABRIEL HEALTH CLINIC, INC.  
Statement of Financial Position  
February 28, 2017  
(With Summarized Financial Information for 2016)

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 71,026	\$ 66,646
Patient care receivables, less allowance of \$(162,131) for doubtful accounts	120,509	174,819
Grants and contracts receivable	140,000	140,001
Prepaid expenses	<u>365</u>	<u>5,581</u>
Total Current Assets	<u>331,900</u>	<u>387,047</u>
Fixed Assets:		
Land	15,000	15,000
Building and improvements	766,882	766,882
Furniture and equipment	451,728	451,728
Vehicles	<u>24,880</u>	<u>24,880</u>
	1,258,490	1,258,490
Less: Accumulated depreciation	<u>(794,847)</u>	<u>(744,831)</u>
Net Fixed Assets	<u>463,643</u>	<u>513,659</u>
OTHER ASSETS		
Deposits	<u>6,000</u>	<u>6,000</u>
TOTAL ASSETS	<u>\$ 801,543</u>	<u>\$ 906,706</u>
<u>LIABILITIES AND NET ASSETS</u>	-	
Current Liabilities:		
Accounts payable	\$ 193,057	\$ 243,887
Salaries payable	30,197	59,703
Payroll taxes payable	2,311	2,989
Notes payable, current portion	9,036	8,618
Line of credit payable	-	254,107
Short-term notes payable	<u>-</u>	<u>23,402</u>
Total Current Liabilities:	<u>234,601</u>	<u>592,706</u>
Long-Term Liabilities		
Notes payable	217,895	227,732
Less: current portion	<u>(9,036)</u>	<u>(8,618)</u>
Total Long-Term Liabilities	<u>208,859</u>	<u>219,114</u>
Total Liabilities	<u>443,460</u>	<u>811,820</u>
Net Assets:		
Unrestricted		
Undesignated (operating)	218,083	(45,114)
Temporarily restricted	<u>140,000</u>	<u>140,000</u>
Total Net Assets	<u>358,083</u>	<u>94,886</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 801,543</u>	<u>\$ 906,706</u>

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

ST. GABRIEL HEALTH CLINIC, INC.  
Statement of Activities  
For the Year Ended February 28, 2017  
(With Summarized Financial Information for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
<b>SUPPORT AND REVENUES (Note 2)</b>				
Support:				
Grants and contracts	\$ <u>1,241,069</u>	\$ -	\$ <u>1,241,069</u>	\$ <u>1,152,532</u>
Total Support	<u>1,241,069</u>	<u>-</u>	<u>1,241,069</u>	<u>1,152,532</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$(272,346)	608,261	-	608,261	827,594
Interest income	-	-	-	35
Other income	<u>733</u>	<u>-</u>	<u>733</u>	<u>36,356</u>
Total Revenue	<u>608,994</u>	<u>-</u>	<u>608,994</u>	<u>863,985</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>1,850,063</u>	<u>-</u>	<u>1,850,063</u>	<u>2,016,517</u>
<b>EXPENSES</b>				
Program Services				
Health care services	<u>935,181</u>	<u>-</u>	<u>935,181</u>	<u>1,512,988</u>
Total Program Services	<u>935,181</u>	<u>-</u>	<u>935,181</u>	<u>1,512,988</u>
Supporting Services				
Management and general	<u>651,685</u>	<u>-</u>	<u>651,685</u>	<u>826,171</u>
Total Supporting Services	<u>651,685</u>	<u>-</u>	<u>651,685</u>	<u>826,171</u>
<b>TOTAL EXPENSES</b>	<u>1,586,866</u>	<u>-</u>	<u>1,586,866</u>	<u>2,339,159</u>
Change in Net Assets	263,197	-	263,197	(322,642)
Net Assets, Beginning of Year	<u>(45,114)</u>	<u>140,000</u>	<u>94,886</u>	<u>417,528</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 218,083</u>	<u>\$ 140,000</u>	<u>\$ 358,083</u>	<u>\$ 94,886</u>

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

ST. GABRIEL HEALTH CLINIC, INC.  
Statement of Cash Flows  
For the Year Ended February 28, 2017 and 2016

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:

	<u>2017</u>	<u>2016</u>
Changes in Net Assets	\$ 263,197	\$ (302,642)
Adjustments to reconcile changes in assets to net cash provided by(used in) operating activities:		
Depreciation expense	50,017	54,166
Decrease (increase) in:		
Patient care receivables	54,309	(47,675)
Prepaid expenses	5,216	(5,581)
Increase (decrease) in:		
Accounts payable	(50,824)	13,847
Salaries payable	(3,027)	(37,305)
Payroll taxes payable	(229)	(19,191)
Other liabilities	(454)	(2,339)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>318,205</u>	<u>(346,720)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investments	<u>-</u>	<u>10,337</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>-</u>	<u>10,337</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in notes payable	(9,837)	(8,389)
Proceeds from borrowings	-	277,508
Repayments of borrowings	<u>(303,988)</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(313,825)</u>	<u>269,119</u>
NET INCREASE (DECREASE) IN CASH	4,380	(67,264)
CASH, BEGINNING OF YEAR	<u>66,646</u>	<u>133,910</u>
CASH, END OF YEAR	<u>\$ 71,026</u>	<u>\$ 66,646</u>
 <u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 15,876</u>	<u>\$ 13,918</u>

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

ST. GABRIEL HEALTH CLINIC, INC.  
 Schedule of Functional Expenses  
 For the Year Ended February 28, 2017  
 (With Summarized Financial Information for 2016)

	Health Care Services	Total Program Services	Management and General	2017	2016
Personnel	\$ 528,707	528,707	233,328	\$ 762,035	\$ 1,416,852
Fringe benefits	41,273	41,273	17,850	59,123	117,921
Travel	529	529	37,014	37,543	78,955
Supplies	90,560	90,560	30,445	121,005	57,349
Equipment rental	-	-	2,859	2,859	2,377
Contractual	94,223	94,223	98,754	192,977	269,355
Legal and accounting	-	-	79,589	79,589	48,157
Dues and subscriptions	-	-	2,230	2,230	(3,655)
Printing	-	-	4,832	4,832	-
Repairs and maintenance	4,314	4,314	13,709	18,023	18,760
Insurance	341	341	17,240	17,581	35,525
Staff recruitment	-	-	50	50	859
Advertisement	32,449	32,449	1,567	34,016	24,640
Utilities	4,520	4,520	8,353	12,873	12,267
Continuing education	1,524	1,524	649	2,173	8,851
Communications	36,380	36,380	1,158	37,538	50,870
Licenses and fees	645	645	12,469	13,114	17,739
Janitorial	7,582	7,582	8,521	16,103	4,859
Space cost	72,000	72,000	-	72,000	72,000
Interest	-	-	15,876	15,876	13,918
Bank charges	346	346	2,632	2,978	4,641
Moving expenses	-	-	2,022	2,022	5,838
Board expenses	-	-	3,352	3,352	7,229
Disposal services	19,788	19,788	-	19,788	17,720
Other	-	-	7,169	7,169	1,966
Total expenses before depreciation	<u>935,181</u>	<u>935,181</u>	<u>601,668</u>	<u>1,536,849</u>	<u>2,284,993</u>
Depreciation	<u>-</u>	<u>-</u>	<u>50,017</u>	<u>50,017</u>	<u>54,166</u>
Total Expenses	<u>\$ 935,181</u>	<u>935,181</u>	<u>651,685</u>	<u>\$ 1,586,866</u>	<u>\$ 2,339,159</u>

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

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2017

**NOTE 1 - ABOUT THE ORGANIZATION**

St. Gabriel Health Clinic, Inc. (SGHC), a non-profit corporation, was incorporated in the State of Louisiana as of March 4, 1993. The primary purpose of the Corporation is to deliver primary health services to individuals and families. SGHC provides comprehensive primary health care to area residents, with particular care for the socio-economically disadvantaged. The areas served consist of East Iberville and East Ascension Parishes and the surrounding areas. The services are provided through an outpatient clinic, with a referral program, health education and limited medical services for hospitalization.

The fiscal year of SGHC is March 1 to February 28.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Basis of Accounting - The financial statements of St. Gabriel Health Clinic, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification 958, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 30 years.
- Acquisition of non-expendable property are treated as expenditures of the program in the period the costs are incurred, and the assets values are reported in fixed assets. Property acquired is considered owned by the Organization while used in the program for which it was purchased or in future authorized programs. However, the federal government has a reversionary interest in property purchased or acquired with federal funds; its disposition as well as the ownership of any proceeds therefrom is subjected to the regulations of the funding source.
- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employee's Annual Leave - SGHC does not charge annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned. It is expensed in the period in which the employees used the leave. See Note 9.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payers and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Patient Service Revenues and Provision for Bad Debt - Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors and others for services rendered, including estimated retroactive and prospective adjustments under reimbursements agreements with third-party payors. Third-party payors retain the right to review and propose adjustments to amounts reported by the Clinic. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

N. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 71,026	\$ 71,026

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

The Organization maintains its cash balances in one (1) financial institution located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At February 28, 2017, the Organization did not have any uninsured cash balances.

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2017

**NOTE 5 - PATIENT RECEIVABLES RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at February 28, 2017 :

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 56,360
Government	39,723
Other	<u>186,557</u>
	<u>\$ 282,640</u>

Allowance for doubtful accounts is summarized as follows at February 28, 2017

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 65,044
All Other	<u>97,087</u>
	<u>\$ 162,131</u>

**NOTE 6 - PATIENT SERVICE REVENUE**

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at February 28, 2017:

<u>Patient Service Revenue</u>	<u>Amount</u>
Patient Service Revenue	\$ 880,607
Less: Contractual adjustment under third-party reimbursement program and discounts	(261,775)
Provision for bad debts	<u>(10,571)</u>
Net Patient Service Revenue	<u>\$ 608,261</u>

**NOTE 7 - FIXED ASSETS**

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

<u>Assets</u>	
Land	\$ 15,000
Building and improvements	766,882
Furniture and Equipment	451,728
Vehicles	<u>24,880</u>
Total Property and Equipment	1,258,490
Less: Accumulated Depreciation	<u>(794,847)</u>
Net Property and Equipment	<u>\$ 463,643</u>

Depreciation expense at February 28, 2017 totaled \$50,017.

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2017

NOTE 8 - CORPORATE INCOME TAXES

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

The Organization has analyzed its tax positions taken for filings with the Internal Revenue. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2014, 2015, and 2016 are subject to examination by the federal, state and local taxing authorities, generally for three years after they are filed.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at February 28, 2017 is not included in the financial statements. See Note 2.J. above. If the leave were included in the financial statements, it would affect the financial statements by the amount of the leave by ( a ) increasing expenses, ( b ) decreasing the excess of support and revenues over expenses and ( c ) increasing accrued liabilities.

NOTE 10 - SUMMARY OF FUNDING AND SUPPORT

St. Gabriel Health Clinic, Inc.'s operations are funded primarily through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Dept. of HHS (Health Center Cluster)	H80CS00551	3/1/16-2/28/17	\$ 1,180,069
Direct Relief	N/A	3/1/16-2/28/17	61,000
<b>TOTALS</b>			<b><u>\$ 1,241,069</u></b>

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets result primarily from timing restrictions on a Foundation grant awarded in a previous fiscal year but designated for use in current and subsequent fiscal years.

The Clinic's temporarily restricted net assets as of February 28, 2017, consisted of the following:

<b><u>Temporarily restricted net assets</u></b>	
General support for future periods	<u>\$ 140,000</u>
Total Temporarily restricted net assets	<u>\$ 140,000</u>

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2017

NOTE 12 - LONG-TERM NOTES PAYABLE

Mortgage notes payable consist of the following at February 28, 2017:

Note payable to Iberville Bank; interest stated at 5%; due in monthly installments of \$1,605 which includes principal and interest; matures July 2033; secured by real estate	\$ 217,895
Less: Current Portion	<u>(9,036)</u>
Total Long Term Debt	<u>\$ 208,859</u>

Maturities of long-term debt are as follows:

	Principal	Interest	TOTAL
2018	\$ 9,036	10,226	\$ 19,262
2019	9,475	9,787	19,262
2020	9,935	9,327	19,262
2021	10,417	8,845	19,262
2022	10,923	8,339	19,262
Thereafter	<u>168,109</u>	<u>50,494</u>	<u>218,603</u>
Totals	<u>\$ 217,895</u>	<u>\$ 97,018</u>	<u>\$ 314,913</u>

NOTE 13 - LITIGATION

St. Gabriel Health Clinic, Inc. maintains general liability, property, managed care professional liability, directors and officers and other insurance coverage in amounts the Organization believes to be adequate.

In the ordinary course of its business, St. Gabriel Health Clinic, Inc. is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Organization is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of St. Gabriel Health Clinic, Inc.

NOTE 14 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 66% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 15 - GRANT BALANCES AND GRANT CONDITIONS

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

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

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2017

NOTE 15 - GRANT BALANCES AND GRANT CONDITIONS (Continued)

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

NOTE 16 - COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The following is a schedule by years of minimum future space rentals on non-cancelable operating leases as of February 28, 2017.

Year Ending February 28:

	<u>Amount</u>
2018	\$ <u>36,000</u>
TOTALS	\$ <u>36,000</u>

CONTINGENCIES

Investigation

In June 2016, the Office of Inspector General (HHS-OIG) together with Special Agents from the Federal Bureau of Investigation (FBI) and Investigators from the Louisiana Department of Justice Medicaid Fraud Control Unit (MFCU) began an investigation of employees of St. Gabriel Health Center based on evidence that these employees engaged in violations of federal law, specifically Title 18, United States Code, Sections 1347 (Health Care Fraud) and 1349 (Conspiracy to Commit Health Care Fraud). As part of this investigation, records were seized from St. Gabriel Health Center in June 2016. As of the date of this audit report, the investigation has not been completed.

Medical Records Review

In October 2016, Amerigroup, a Louisiana Medicaid Managed Care Organization, reviewed a sample of medical records of the Center to verify services and the level of care. In July 2017, Amerigroup notified the Center that the review results identified possible inaccurate billing procedures. A statistical calculation was made by Amerigroup based on the sample records reviewed that projected an overpayment of \$519,175. As part of the appeal process, the Center is formally disputing the review results and in August 2017 provided Amerigroup with supporting documentation and additional explanations. As of the completion of our audit fieldwork, no response has been provided to the Center as to the final resolution of the review. No amount has been recorded in the financial statements as a liability because the final amount could not be determined.

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2017

**NOTE 17 - SUMMARIZED 2016 FINANCIAL INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Prior-year information is not provided for the notes to financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended February 29, 2016, from which the summarized information was derived.

**NOTE 18 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 26, 2017, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

**SUPPLEMENTARY INFORMATION**

SCHEDULE A

ST. GABRIEL HEALTH CLINIC, INC.  
 Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer  
 For the Year Ended February 28, 2017

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

<u>Category</u>	<u>Amount</u>	<u>Total</u>
Salary	\$ 154,462	
Incentive pay - (bonus)	<u>6,700</u>	
Total salary		\$ 161,162
Benefits:		
Health insurance	3,800	
Car allowance	4,800	
Cell phone/home office allowance	1,800	
Continuing education	2,249	
Retirement	<u>10,000</u>	
Total benefits		22,649
Travel and other:		
Conference	685	
Per diem	2,330	
Registration	1,237	
Other (Supplies)	<u>2,489</u>	
Total travel		<u>6,741</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>190,552</u>

SCHEDULE B

ST. GABRIEL HEALTH CLINIC, INC.  
 Schedule of Health Care Services Expenses  
 For the Year Ended February 28, 2017

EXPENSES

Personnel	\$	528,707
Fringe benefits		41,273
Travel		529
Supplies		90,560
Contractual		94,223
Repairs and maintenance		4,314
Insurance		341
Advertisement		32,449
Utilities		4,520
Continuing education		1,524
Communications		36,380
License and fees		645
Janitorial		7,582
Space cost		72,000
Bank and finance charges		346
Disposal services		<u>19,788</u>
Total Expenses	\$	<u>935,181</u>

SCHEDULE C

ST. GABRIEL HEALTH CLINIC, INC.  
 Schedule of Management and General Expenses  
 For the Year Ended February 28, 2017

EXPENSES

Personnel	\$ 233,328
Fringe benefits	17,850
Travel	37,014
Supplies	30,445
Equipment rental	2,859
Contractual	98,754
Legal and accounting	79,589
Dues and subscriptions	2,230
Printing	4,832
Repairs and maintenance	13,709
Insurance	17,240
Staff recruitment	50
Advertisement	1,567
Utilities	8,353
Continuing education	649
Communications	1,158
License, taxes and fees	12,469
Janitorial	8,521
Interest	15,876
Bank and finance charges	2,632
Moving expenses	2,022
Board expenses	3,352
Other	<u>7,169</u>
Total Expenses	<u>\$ 601,668</u>

ST. GABRIEL HEALTH CLINIC, INC.  
Schedule of Expenditures of Federal Awards  
For the Year Ended February 28, 2017

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Grants:			
Health Care Centers Cluster			
Consolidated Health Centers	93.224	H80CS00551	\$ 269,768
Affordable Care Act Grants for New and Expanded Services Under the Health Care Program	93.527	H80CS00551	<u>910,301</u>
Total Health Centers Cluster			<u>1,180,069</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,180,069</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,180,069</u>

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended February 28, 2017

**BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of St. Gabriel Health Clinic, Inc. under programs of the federal government for the year ended February 28, 2017. The information in this Schedule is presented in accordance with the requirement of *Title 2 U.S. Code of Federal regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of St. Gabriel Health Clinic, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of St. Gabriel Health Clinic, Inc.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**INDIRECT COST RATE**

St. Gabriel Health Clinic, Inc. does not have indirect cost and has elected not to use the 10-percent de minimis Indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Directors of  
St. Gabriel Health Clinic, Inc.  
St. Gabriel, Louisiana

We have audited, 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, the financial statements of St. Gabriel Health Clinic, Inc.'s, (a nonprofit organization) which comprise the statement of financial position as of February 28, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Gabriel Health Clinic, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Gabriel Health Clinic, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of St. Gabriel Health Clinic, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. (Finding 2017-1)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether St. Gabriel Health Clinic, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of St. Gabriel Health Clinic, Inc. in a separate letter dated October 26, 2017.

### ***St. Gabriel Health Clinic, Inc.'s Response to Findings***

St. Gabriel Health Clinic, Inc.'s response to the findings identified in our audit is described in the accompanying auditee's corrective action plan. St. Gabriel Health Clinic, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Banks, Finley, White & Co. of MS*

Ridgeland, Mississippi  
October 26, 2017



**BANKS, FINLEY, WHITE  
& CO. OF MISSISSIPPI, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of  
St. Gabriel Health Clinic, Inc.  
St. Gabriel, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited St. Gabriel Health Clinic, 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 St. Gabriel Health Clinic, Inc.'s major federal programs for the year ended February 28, 2017. St. Gabriel Health Clinic, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of St. Gabriel Health Clinic, Inc.'s compliance.

**Basis for Qualified Opinion on Health Center Cluster, CFDA #93.224 Consolidated Health Centers and CFDA #93.527 Affordable Care Act Grant for New and Expanded Services Under the Health Center Program**

As described in the accompanying schedule of findings and questioned costs, St. Gabriel Health Clinic, Inc. did not comply with requirements regarding special tests and provisions of CFDA #93.224 Consolidated Health Centers and CFDA #93.527 Affordable Care Act Grant for New and Expanded Services Under the Health Center Cluster Program. Compliance with such requirements is necessary, in our opinion, for St. Gabriel Health Clinic, Inc. to comply with the requirements applicable to that program.

**Qualified Opinion on Health Center Cluster Program**

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, St. Gabriel Health Clinic, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Health Center Cluster program for the year ended February 28, 2017.

**Report on Internal Control Over Compliance**

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

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

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

St. Gabriel Health Clinic, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. St. Gabriel Health Clinic, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Banks, Finley White & Co. of MS*

Ridgeland, Mississippi  
October 26, 2017

ST. GABRIEL HEALTH CLINIC, INC.  
Summary Schedule of Prior Audit Findings  
Year Ended February 28, 2017

**Finding 2016-1**

**Condition:** The audit report was not submitted within the six (6) months after year end as required by the Louisiana Legislative Auditor.

**Status:** Not corrected, repeated as Finding 2017-1

**Finding 2016-2**

**Condition:** St. Gabriel Health Clinic, Inc. did not ensure that its Single Audit was completed within nine (9) months of its fiscal year end.

**Status:** Corrected

**Finding 2016-3**

**Condition:** During our review of the Board members that received medical services from the Clinic, we noted that the majority did not utilize the Clinic for medical or dental services for the past two years.

**Status:** Not corrected, repeated as Finding 2017-2

ST. GABRIEL HEALTH CLINIC, INC.  
 Schedule of Findings and Questioned Costs  
 Year Ended February 28, 2017

**Section 1: Summary of Auditor's Results**

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements.                           | Unmodified    |
| 2. | Material noncompliance relating to the financial statements.                           | No            |
| 3. | Internal control over financial reporting:   |               |
|    | a. Material weaknesses identified?   | Yes           |
|    | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |

**Federal Awards:**

- |    |  |               |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs                     | Modified      |
| 5. | Internal control over major programs:  |               |
|    | a. Material weaknesses identified?   | No            |
|    | b. Significant deficiency identified that is not considered to be a material weakness?       | None Reported |
| 6. | Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)? | Yes           |

7. Federal programs identified as major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Health Center Cluster:
93.224	Consolidated Health Centers Grant
93.527	Affordable Care Act Grants for New and Expanded Services Under the Health Care Program

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

**Section 2 - Findings - Financial Statements Audit**

**Finding 2017-01**  
**REPEAT FINDING**  
 Material Weakness

ST. GABRIEL HEALTH CLINIC, INC.  
Schedule of Findings and Questioned Costs  
Year Ended February 28, 2017

**LATE SUBMISSION OF AUDIT REPORT**

**Condition:**

The audit report for the year ended February 28, 2017 was not submitted within the six (6) months after year end as required by the Louisiana Legislative Auditor's.

**Cause:**

Failure to comply with the Louisiana Legislative Auditor's financial reporting requirements.

**Effect:**

The Organization is not in compliance with the Louisiana Legislative Auditor's financial reporting requirements.

**Criteria:**

State of Louisiana Legislative Auditor's audit financial reporting requirement (R.S. 24:513 and 24:514).

**Recommendation:**

The Organization should adopt internal administrative control procedures to ensure that all future audits are completed in a timely manner that allows for the timely submission of its annual audit to the Louisiana Legislative Auditor.

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

**Finding 2017-2**

**REPEAT FINDING**

**SPECIAL TESTS AND PROVISIONS**

**U. S. Department of Health and Human Services**

**Consolidated Health Center Grant; CFDA #93.224 and #93.527**

**Condition**

During our review of the Board members that received medical services from the Clinic, we noted that the majority did not utilize the Clinic for medical or dental services for the past two years.

**Cause**

The majority of Board members were not being served by the Center.

**Effect**

Non-compliance with grant provisions and guidelines.

ST. GABRIEL HEALTH CLINIC, INC.  
Schedule of Findings and Questioned Costs  
Year Ended February 28, 2017

**Criteria**

The Uniform Guidance Compliance Supplement, Department of Health and Human Services requirements for Special Test and Provisions outlined for the Governing Board. The Supplement states that the Organization must have a governing board that is composed of individuals which a majority of whom are being served by the Center.

**Auditor's Recommendation**

St. Gabriel Health Clinic, Inc. should take the appropriate steps to ensure that the Clinic is in compliance with the Department of Health and Human Services requirement that the majority of governing board members are served by the Clinic.



# St. Gabriel Health Clinic, Inc.

Hazel Schexnayder  
*President*

November 6, 2017

Karen Bess -Ambeau  
*Secretary*

Banks, Finley, White & Co.  
Certified Public Accountants  
308 Highland Park Cove  
Ridgeland, MS 39157

Wilfret Lorraine  
*Member*

Rosemary Brown  
*Member*

RE: Audited Financial Statements  
Fiscal Year ending February 28, 2017

Rev. Henry Bailey Jr.  
*Chaplin*

To Whom It May Concern:

Mary Thomas  
*Member*

Please allow this to serve as the management response to the delinquent findings of the above listed audited report.

Bobby Acaldo  
*Member*

Finding 2017-01 Late Submission of Audit Report

Nancy Broussard  
*Member*

The organization has contracted with Iron Mountain, who stores all financial records offsite and can be retrieved with a 24-hour notification. The organization has put into place the internal administrative control procedure of performing self-audits of financial records to allow for a smoother presentation of records for the annual audit when it occurs. The accounting team is working from a list previously supplied by the audit team. The organization is preparing to schedule the annual audit a month after the fiscal year ends. This will result in a timely submission of its annual audit to the Louisiana Legislative Auditor.

Jackie Darville  
*Member*

Marion Gibbs  
*Member*

Shirley F. Wade  
*Chief Executive Officer  
Ex-Officio*

Finding 2017-02 Special Test and Provisions



At present, 60% of the board has complied with requirement. The remaining have scheduled appointments. Administration has set into place internal controls that consist of quarterly audits of board member usage of the health center to ensure that this requirement is met. This will become a part of a monthly report that will be discussed during monthly board meetings.



## St. Gabriel Health Clinic, Inc.

Thanks you for your professional preparation of the financial audit report and your recommendations. Should you have further questions, please feel free to contact me at 225.642.9676 or [swade@stgabrielchc.org](mailto:swade@stgabrielchc.org).

Respectfully submitted,

A handwritten signature in cursive script that reads "Shirley F. Wade".

Ms. Shirley F. Wade, MSN, APRN, FNP-BC  
Chief Executive Officer

**ST. GABRIEL HEALTH CENTER, INC.**  
**MANAGEMENT LETTER**  
**FOR THE YEAR ENDED FEBRUARY 28, 2017**



**BANKS, FINLEY, WHITE  
& CO. OF MISSISSIPPI, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

October 26, 2017

To the Audit Committee of  
St. Gabriel Health Clinic, Inc.

We have audited the financial statements of St. Gabriel Health Clinic, Inc. for the year ended February 28, 2016, and have issued our report thereon dated October 26, 2017. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 24, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by St. Gabriel Health Clinic, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was depreciation.

Management's estimate of depreciation is based on their capitalization policy. We compared useful lives to the policy and recomputed totals to help determine that it was reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

## **PAYROLL TRANSACTIONS**

During the audit and our review of personnel files and payroll transactions, we found that the Organization's established procedures for maintaining personnel files was not consistently followed. We found the following issues:

1. From a sample of forty (40) payroll transactions:
  - a. Seven (7) personnel files could not be provided for review.

We recommend that the Organization maintain personnel files for every employee. If personnel files are subject to outside reviews, adequate measures should be taken to ensure that copies of employee information are maintained.

### **Management's Plan of Corrective Action**

The organization is in the process of conducting of auditing all employee files using a standardized audit tool with the documents required for compliance. Once all of the employee files have been brought into compliance, a copy of each employee file will be stored on a portable media device and also a Iron Mountain for back-up purposes.

## **FULL-TIME CHIEF FINANCIAL OFFICER**

During our audit, we noted that due to the lack of a full-time Chief Financial Officer, the Organization has experienced problems in the accounting and finance area. The complexities of the Organization's accounting processes require that accurate financial information is of the utmost importance. While the current contractual staffing may have been satisfactory for a short time, it does not allow for improvement and development to take place within the accounting area.

We strongly recommend that the Organization hire a Chief Financial Officer to fill the current vacant position in order to have efficient and effective processes for accounting that produce timely and accurate financial reports for use in decision-making.

### **Management's Plan of Corrective Action**

The organization plans to re-vamp the senior leadership team where there will be a fulltime COO who will assume the role of the CFO as well. We will continue to use the outside CPA firm until such time that this function can be brought internally. The Compliance Officer will work with the CEO to develop a plan of internal controls to ensue compliance with all financial and accounting requirements.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Banker Finley, White & Co. of MS*

October 26, 2017