

Innis Community Health Center, Inc.
Batchelor, Louisiana
October 31, 2020

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Independent Auditor's Report

Board of Directors
Innis Community Health Center, Inc.
Batchelor, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innis Community Health Center, Inc. as of October 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our 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 for Federal Awards*, and schedule of compensation, benefits and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are 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 April 13, 2021 on our consideration of Innis Community Health Center, 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 solely 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 the effectiveness of Innis Community Health Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innis Community Health Center, Inc.'s internal control over financial reporting and compliance.

Hawthorn, Waymouth & Carroll, L.L.P.

April 13, 2021

Innis Community Health Center, Inc.
Statements of Financial Position
October 31, 2020 and 2019

Assets	2020	2019
Current Assets		
Cash and cash equivalents	\$ 3,053,248	\$ 1,027,794
Certificates of deposit	370,579	365,718
Patient accounts receivable, net	457,767	419,711
Grant funds receivable	317,350	197,304
Other receivables	174,153	235,128
Prepaid expenses	77,085	62,438
Total current assets	4,450,182	2,308,093
Property and Equipment, net	2,628,794	2,555,137
Other Assets	3,248	-
Total assets	\$ 7,082,224	\$ 4,863,230
Liabilities and Net Assets		
Current Liabilities		
Current portion of note payable	\$ 524,543	\$ -
Accounts payable	88,475	70,276
Accrued liabilities	433,443	354,069
Deferred grant revenue	480,809	46,172
Total current liabilities	1,527,270	470,517
Long-term Portion of Note Payable	262,272	-
Total liabilities	1,789,542	470,517
Net Assets Without Donor Restrictions	5,292,682	4,392,713
Total liabilities and net assets	\$ 7,082,224	\$ 4,863,230

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

Innis Community Health Center, Inc.
Statements of Activities
Years Ended October 31, 2020 and 2019

	Without Donor Restrictions	
	2020	2019
Revenue and Other Support		
Patient service revenue, net	\$ 3,890,035	\$ 3,393,017
Provision for bad debts	<u>(415,798)</u>	<u>(119,339)</u>
Net patient service revenue, less provision for bad debts	3,474,237	3,273,678
Federal grants	4,007,729	3,147,810
State and other grants	130,743	110,621
Pharmacy revenue	684,196	862,614
Other revenue	<u>281,352</u>	<u>80,780</u>
Total revenue and other support	<u>8,578,257</u>	<u>7,475,503</u>
Expenses		
Program		
Medical	4,623,023	4,317,899
Dental	<u>1,247,259</u>	<u>1,080,063</u>
Total program	5,870,282	5,397,962
Management and general	<u>1,808,006</u>	<u>1,793,997</u>
Total expenses	<u>7,678,288</u>	<u>7,191,959</u>
Change in Net Assets	899,969	283,544
Net Assets, beginning of year	<u>4,392,713</u>	<u>4,109,169</u>
Net Assets, end of year	<u>\$ 5,292,682</u>	<u>\$ 4,392,713</u>

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

Innis Community Health Center, Inc.
Statement of Functional Expenses
Year Ended October 31, 2020

	<u>Medical</u>	<u>Dental</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 2,932,650	\$ 610,106	\$ 3,542,756	\$ 948,020	\$ 4,490,776
Employee benefits	269,764	58,103	327,867	87,155	415,022
Payroll taxes	194,944	41,988	236,932	62,982	299,914
Advertising	29,198	16,603	45,801	11,450	57,251
Billing and information systems	223,905	111,952	335,857	111,952	447,809
Depreciation and amortization	108,474	54,237	162,711	54,237	216,948
Dues and subscriptions	10,659	6,395	17,054	25,582	42,636
Insurance	22,422	22,422	44,844	44,845	89,689
Licenses and fees	-	-	-	20,762	20,762
Medical supplies	552,871	184,290	737,161	-	737,161
Meetings and conferences	-	-	-	5,510	5,510
Occupancy and other rents	114,109	60,411	174,520	161,095	335,615
Office	-	-	-	95,033	95,033
Professional fees	-	-	-	98,792	98,792
Purchased services	142,012	80,752	222,764	55,691	278,455
Travel	22,015	-	22,015	22,015	44,030
Miscellaneous	-	-	-	2,885	2,885
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 4,623,023</u>	<u>\$ 1,247,259</u>	<u>\$ 5,870,282</u>	<u>\$ 1,808,006</u>	<u>\$ 7,678,288</u>

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

Innis Community Health Center, Inc.
Statement of Functional Expenses
Year Ended October 31, 2019

	<u>Medical</u>	<u>Dental</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 2,596,666	\$ 452,199	\$ 3,048,865	\$ 911,131	\$ 3,959,996
Employee benefits	266,094	44,349	310,443	92,729	403,172
Payroll taxes	162,956	27,159	190,115	56,788	246,903
Advertising	24,511	13,937	38,448	9,612	48,060
Billing and information systems	237,412	118,706	356,118	118,706	474,824
Depreciation and amortization	99,957	49,979	149,936	49,978	199,914
Dues and subscriptions	8,810	5,286	14,096	21,145	35,241
Insurance	17,107	17,107	34,214	34,212	68,426
Interest	-	-	-	136	136
Licenses and fees	-	-	-	14,393	14,393
Medical supplies	555,152	185,050	740,202	-	740,202
Meetings and conferences	-	-	-	13,987	13,987
Occupancy and other rents	119,871	63,461	183,332	169,231	352,563
Office	-	-	-	97,764	97,764
Professional fees	-	-	-	84,315	84,315
Purchased services	180,839	102,830	283,669	70,918	354,587
Travel	48,524	-	48,524	48,524	97,048
Miscellaneous	-	-	-	428	428
	<u>-</u>	<u>-</u>	<u>-</u>	<u>428</u>	<u>428</u>
Total expenses	<u>\$ 4,317,899</u>	<u>\$ 1,080,063</u>	<u>\$ 5,397,962</u>	<u>\$ 1,793,997</u>	<u>\$ 7,191,959</u>

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

Innis Community Health Center, Inc.
Statements of Cash Flows
Years Ended October 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 899,969	\$ 283,544
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	216,948	199,914
Bad debt expense	415,798	119,339
(Increase) Decrease in assets:		
Patient accounts receivable	(453,854)	(166,740)
Prepaid expenses	(14,647)	(11,590)
Other receivables	60,975	(72,696)
Grant funds receivable	(120,046)	(90,832)
Other assets	(3,248)	2,669
Increase (Decrease) in liabilities:		
Accounts payable	18,199	(18,037)
Accrued liabilities	79,374	(316,770)
Deferred grant revenue	434,637	18,102
	<u>1,534,105</u>	<u>(53,097)</u>
Net cash provided by (used in) operating activities		
Cash Flows From Investing Activities		
Purchase of property and equipment	(290,605)	(191,972)
Purchase of certificates of deposit	(4,861)	(2,735)
	<u>(295,466)</u>	<u>(194,707)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Proceeds from note payable	786,815	-
	<u>786,815</u>	<u>-</u>
Net cash provided by financing activities		
Net Change in Cash and Cash Equivalents	2,025,454	(247,804)
Cash and Cash Equivalents, beginning of year	<u>1,027,794</u>	<u>1,275,598</u>
Cash and Cash Equivalents, end of year	<u>\$ 3,053,248</u>	<u>\$ 1,027,794</u>
Supplemental Cash Flow Disclosures		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 136</u>

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

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2020

Note 1-Nature of Operations

Innis Community Health Center, Inc. (the “Center”) is incorporated as a Louisiana nonprofit corporation located in the northern part of Pointe Coupee Parish in the Village of Innis, Louisiana with satellite clinics in Livonia, New Roads, and Maringouin.

The Center is a Federally Qualified Health Center that provides primary healthcare services to area communities in need of preventative, coordinated, and affordable healthcare in a prudent and efficient manner. The vision of the Center is, through community collaboration and partnership, to develop and promote supportive healthcare services to all people who are medically underserved, in order that they may experience all the rights, privileges, and responsibilities as members of the community.

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

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

Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net assets without donor restrictions: net assets not subject to donor stipulations.

Net assets with donor restrictions: net assets subject to donor stipulations that a) restrict their use to a specific purpose, which will be satisfied by actions of the Center or the passage of time; or b) require that they be maintained in perpetuity by the Center; generally, the donor of these assets permit the Center to use all or part of the income earned.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant item on the statements of financial position that involves a greater degree of accounting estimates subject to changes in the near future is the assessment of the allowance for doubtful accounts. As additional information becomes available (or actual amounts are determinable), the recorded estimates are revised and reflected in operating results of the period they are determined.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2020

Note 2-Summary of Significant Accounting Policies (Continued)

D. Patient Accounts Receivable

Patient accounts receivable are generally carried at the original billed amount less contractual adjustments and the allowance for doubtful accounts. The allowance is based on management's estimates, historical experience, and a review of all outstanding amounts on an ongoing basis. Patient accounts receivable are written-off when deemed uncollectible, and recoveries, if any, are recorded when received. As of October 31, 2020 and 2019, management established an allowance of \$448,310 and \$513,393, respectively.

E. Property and Equipment

Property and equipment are carried at cost. Donated property and equipment are carried at approximate fair value at the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years for equipment, furniture and fixtures, and 15 to 30 years for buildings and leasehold improvements.

All acquisitions of property and equipment in excess of \$1,000 and all expenditures that materially increase values, change capabilities, or extend useful lives of assets are capitalized. Routine maintenance, repairs, and minor equipment replacement costs are charged against operations.

F. Compensated Absences

The Center provides paid time off (PTO) for employees who meet hours worked per pay period criteria. Generally, PTO is earned on a per pay period (bi-weekly) basis ranging from 5.0 to 8.75 hours per pay period, depending on job classification and length of service. Unused PTO, up to a maximum of 300 hours at the end of the fiscal year, may be carried forward. Any unused PTO in excess of 300 hours will be forfeited if not used by October 31, of the subsequent year, unless otherwise approved by the Board.

G. Funding Source

The Center receives funds from the United States Department of Health and Human Services (DHHS) through the Health Resources and Services Administration. 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 the unexpended funds, or both, as a result of non-compliance by the Center with the terms of the grants. In addition, if the Center terminates the activities of the grants, all unexpended federal funds are to be returned to DHHS. The grant agreement requires the Center to provide primary healthcare to all requesting individuals; however, the amount an individual actually pays is based on the individual's personal income.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2020

Note 2-Summary of Significant Accounting Policies (Continued)

H. Net Patient Service Revenue

The Center has agreements with third-party payers that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive 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 Center has a sliding fee plan for patients whose income levels fall within the sliding fee guidelines and who do not have coverage with a third-party payer.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

I. Functional Allocation

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

J. Income Tax Status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an entity other than a private foundation within the meaning of Section 509(a). Accordingly, no provision has been made for income taxes.

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If the Center were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors.

K. Other Revenue

Other revenue is derived from services other than providing healthcare services to patients. These services include incentive payments related to Electronic Health Records implementation, fees for providing medical records, and Medicaid and Medicare adjustments.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2020

Note 2-Summary of Significant Accounting Policies (Continued)

L. Liquidity Management

As of October 31, 2020, the following financial assets could be made readily available within one year of the date of the statement of financial position to meet general expenditures:

Cash and cash equivalents	\$ 3,053,248
Certificates of deposit	370,579
Patient accounts receivable, net	457,767
Grant funds receivable	317,350
Other receivables	<u>174,153</u>

Financial assets available to meet cash needs for general expenditure within on year	<u>\$ 4,373,097</u>
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As part of its liquidity management, the Center has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

M. Accounting Pronouncements Pending Adoption

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The ASU is effective for annual reporting periods beginning after December 15, 2019, with certain early adoption provisions available. The Center is in the process of assessing the effect that the adoption of this standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous U.S. GAAP and this ASU is the recognition of lease assets and lease liabilities for lessees for those leases classified as operating leases under previous U.S. GAAP. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. The Center has not yet implemented this ASU and is in the process of assessing the effect on its financial statements.

Note 3-Certificates of Deposit

At October 31, 2020 and 2019, the Center had certificates of deposit totaling \$370,579 and \$365,718, respectively. The certificates of deposit had interest rates ranging from 1.00% to 2.60% at October 31, 2020, and terms ranging from 6 months to 12 months, with penalties for early withdrawal. The Center's investment in certificates of deposit is carried at cost, which approximates fair market value.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2020

Note 4-Property and Equipment

Property and equipment activity is summarized as follows as of October 31:

	<u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>2020</u>
Construction in progress	\$ -	\$ 116,175	\$ -	\$ 116,175
Land	75,935	-	-	75,935
Office equipment	581,509	31,985	-	613,494
Furniture and fixtures	15,830	-	-	15,830
Medical and dental equipment	560,036	81,032	-	641,068
Vehicles	376,642	29,400	-	406,042
Building and helipad	2,202,101	18,713	-	2,220,814
Electronic medical records	36,631	-	-	36,631
Leasehold improvements	<u>218,604</u>	<u>13,300</u>	<u>-</u>	<u>231,904</u>
 Total property and equipment	 4,067,288	 290,605	 -	 4,357,893
 Less: accumulated depreciation and amortization	 <u>(1,512,151)</u>	 <u>(216,948)</u>	 <u>-</u>	 <u>(1,729,099)</u>
 Total property and equipment, net	 <u>\$ 2,555,137</u>	 <u>\$ 73,657</u>	 <u>\$ -</u>	 <u>\$ 2,628,794</u>
	<u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>2019</u>
Land	\$ 75,935	\$ -	\$ -	\$ 75,935
Office equipment	454,265	127,244	-	581,509
Furniture and fixtures	15,830	-	-	15,830
Medical and dental equipment	524,608	35,428	-	560,036
Vehicles	347,342	29,300	-	376,642
Building and helipad	2,202,101	-	-	2,202,101
Electronic medical records	36,631	-	-	36,631
Leasehold improvements	<u>218,604</u>	<u>-</u>	<u>-</u>	<u>218,604</u>
 Total property and equipment	 3,875,316	 191,972	 -	 4,067,288
 Less: accumulated depreciation and amortization	 <u>(1,312,237)</u>	 <u>(199,914)</u>	 <u>-</u>	 <u>(1,512,151)</u>
 Total property and equipment, net	 <u>\$ 2,563,079</u>	 <u>\$ (7,942)</u>	 <u>\$ -</u>	 <u>\$ 2,555,137</u>

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2020

Note 5-Note Payable

The Center received a loan from People's Bank in the amount of \$786,815 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was accounted for under FASB ASC 470. The unsecured loan is subject to a note dated April 8, 2020 and bears interest at 1.00%. Future maturities of the note payable are as follows: 2021 - \$524,543; 2022 - \$262,272. If the PPP loan is forgiven, the Center will account for derecognition of the liability in accordance with FASB ASC 405-20 and record a gain on extinguishment of debt as other income in the period of forgiveness.

Note 6-Related Party Transactions

The Center paid rent to Pointe Coupee Health Service District #1, an entity related through a common board member, in the amount of \$47,700 and \$38,400 for the years ended October 31, 2020 and 2019, respectively.

The Center recognized \$123,051 and \$167,510 in net pharmacy revenue for the years ended October 31, 2020 and 2019, respectively, from a pharmacy owned by the daughter of a board member. The Center was owed \$12,818 from this pharmacy at October 31, 2019, which is included in other receivables on the statements of financial position. There were no amounts owed at October 31, 2020.

Note 7-Legal Proceedings

The Center was not involved in any lawsuits for the year ended October 31, 2020.

Note 8-Operating Leases

The Center leases equipment and facilities under several operating leases. Total rental expense included in occupancy and other rents in 2020 and 2019 were \$48,900 and \$44,875, respectively.

The Center has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in Innis, Louisiana, with payments of \$1,600 per month, terminating on June 30, 2024.

The Center has a month-to-month lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in Livonia, Louisiana, with payments of \$600 per month for an indefinite lease term. Either party may terminate the lease in writing, voiding the lease within 120 days.

The Center has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in New Roads, Louisiana, with payments of \$1,400 per month, terminating on January 1, 2023.

The Center has a month-to-month lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in New Roads, Louisiana, with payments of \$375 per month for an indefinite lease team. Either party may terminate the lease in writing, voiding the lease within 120 days.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2020

Note 8-Operating Leases (Continued)

Future minimum lease payments on non-cancelable leases for the next five fiscal years ending October 31 are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 36,000
2022	36,000
2023	22,000
2024	12,800
2025	11,200

Note 9-Concentrations

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Revenues from patients and third-party payers as of October 31, 2020 and 2019 were as follows:

<u>Payer</u>	<u>Percent</u>	
	<u>2020</u>	<u>2019</u>
Medicaid	40%	51%
Medicare	11%	16%
Sliding fee/ private pay	9%	6%
Third-party payers	40%	27%
Total	<u>100%</u>	<u>100%</u>

Additionally, 47% and 42% of the Center's total revenue and support was provided by the U.S. Department of Health and Human Services during the fiscal years ended October 31, 2020 and 2019, respectively.

At various times during the year, cash and cash equivalents on deposit with one banking institution exceeded the amount insured by the FDIC. Management monitors the financial condition of the institution on a regular basis, along with their balances in cash and cash equivalents, to minimize this potential risk.

Note 10-Retirement Plans

The Center participates in a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may participate in the employee contribution plan when hired. This is a plan whereby employees make their own pre-tax contributions to the plan and can either increase, decrease, or stop their contributions at any time. Employees may contribute to the plan up to the maximum amount allowed by the Internal Revenue Code. There is no match by the Center in the Section 403(b) tax deferred annuity plan. Employees may withdraw their contributions from the 403(b)-tax deferred annuity plan upon resignation or termination.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2020

Note 10-Retirement Plans (Continued)

The Center also participates in an employer contribution plan (pension plan). Employees hired after July 1, 2003 are entitled to participate in the employer contribution plan upon completion of one year of service working for the Center. Employees are vested after 3 years of employment, and may withdraw the employer's contributions to their account upon resignation or termination. The Center contributes on behalf of employees at a rate of 2% to 4% of gross salary. The Center's contributions for 2020 and 2019 were \$103,841 and \$92,980, respectively.

Note 11-Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Violations of these laws and regulations could result in exclusion from government healthcare program participation, the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Center is subject to regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Center's financial position.

Note 12-Board of Directors Compensation

The Board of Directors is a voluntary board; therefore, no compensation or per diem has been paid to any Director.

Note 13-Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance, including providing loan programs for small businesses, support for hospitals and other medical providers, and various types of economic relief for impacted businesses and industries.

As a result of the CARES Act, the Center received the following assistance during the fiscal year ended October 31, 2020:

CARES Act Program	
Provider Relief Funds	\$ 480,809
Payroll Protection Program Loan	<u>786,815</u>
CARES Act funding received	<u>\$ 1,267,624</u>

Funds received through the various CARES Act programs are recognized based on the terms and conditions set forth by the related program. A brief description of the programs the Center received funding from during the year ended October 31, 2020 are included below.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2020

Note 13-Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Continued)

Provider Relief Funds

Provider Relief Funds were issued by the U.S. Department of Health & Human Services (DHHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to COVID-19. These funds are not subject to repayment, provided the Center is able to attest and comply with the terms and conditions of the funding, including demonstrating that the funds received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by DHHS.

Utilizing the guidelines for reporting the use of those funds as provided in the Consolidated Appropriations Act, 2021, the Center is accounting for such payments as conditional contributions. These payments are recognized as non-operating revenue once the applicable terms and conditions required to retain the funds have been met. The unrecognized funds are presented as deferred grant revenue in the statements of financial position for possible recognition in future periods. Funds received in excess of the reported expenses and lost revenues, if any, will be returned to DHHS. As of October 31, 2020, all funds received under the Provider Relief Fund were deferred to future periods.

Payroll Protection Program

On April 8, 2020, the Center entered into a promissory note through the U.S. Small Business Administration's Paycheck Protection Program (PPP). The purpose of the program was to provide funding for employee salaries and certain limited nonpayroll expenses. In accordance with the Program, the loan can be partially or completely forgiven if certain criteria are met. Any amounts not forgiven will be repaid based on the terms described in Note 5.

Note 14-Risks and Uncertainties

The COVID-19 pandemic has caused extensive disruptions to the global, national and regional economy. Governments, businesses, and the public are taking unprecedented actions to contain the spread of COVID-19 and to mitigate its effects, including quarantines, travel bans, shelter-in-place orders, closures of businesses and schools, fiscal stimulus, and legislation designed to deliver monetary aid and other relief. While the scope, duration, and full effects of COVID-19 are rapidly evolving and not fully known, the pandemic and related efforts to contain it have disrupted economic activity and supply chains. If these implications continue for a prolonged period or result in sustained economic stress or recession, there could be a material adverse effect on the Center related to profitability and operations.

Note 15-Subsequent Events

Innis Community Health Center, Inc. has evaluated all subsequent events through April 13, 2021, the date the financial statements were available to be issued. As a result, the Center noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information

**Innis Community Health Center, Inc.
Schedule of Compensation, Benefits, and Other
Payments to Agency Head or Chief Executive Officer
Year Ended October 31, 2020**

Agency Head Name: Cindy Peavy, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 167,135
Benefits - insurance	5,581
Benefits - retirement	6,615
Benefits - cell phone	-
Car allowance	-
Vehicle provided by agency	-
Per diem	-
Reimbursements	-
Travel	2,235
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meals	-



**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
Innis Community Health Center, Inc.
Batchelor, LA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 31, 2020 and 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 our reports thereon dated April 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Innis Community Health Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Innis Community Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Innis Community Health Center, Inc.'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Innis Community Health Center, 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*.

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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawthorn, Waymouth & Carroll, L.L.P.

April 13, 2021



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Brittany B. Thames, CPA
Kevin M. Rodriguez, CPA

**Independent Auditor's Report
on Compliance for Each Major Program and on Internal
Control over Compliance Required by the Uniform Guidance**

Board of Directors
Innis Community Health Center, Inc.
Batchelor, LA

Report on Compliance for Each Major Federal Program

We have audited Innis Community Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Innis Community Health Center, Inc.'s major federal programs for the year ended October 31, 2020. Innis Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Innis Community Health Center, 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 Innis Community Health Center, 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 Innis Community Health Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Innis Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2020.

Report on Internal Control Over Compliance

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

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

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.

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.

Hawthorn, Waymouth & Carroll, L.L.P.

April 13, 2021

Innis Community Health Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended October 31, 2020

<u>Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Health Centers Cluster*			
Consolidated Health Centers	N/A	93.224	\$ 1,462,417
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	N/A	93.527	<u>2,274,587</u>
Total Health Centers Cluster			3,737,004
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program			
	N/A	93.912	<u>270,725</u>
Total expenditures of federal awards			<u>\$ 4,007,729</u>

*Denotes a major program

Innis Community Health Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended October 31, 2020

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Innis Community Health Center, Inc. under programs of the federal government for the year ended October 31, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Innis Community Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Innis Community Health Center, Inc.

Note 2-Summary of Significant Accounting Policies

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

Note 3-Loans and Loan Guarantee Programs

Innis Community Health Center, Inc. had no loans or loan guarantee programs outstanding as of October 31, 2020 for those loans described in 2 CFR 200.502(b).

Note 4-Indirect Cost Rate

Innis Community Health Center, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5-Subrecipients

Innis Community Health Center, Inc. did not pass-through any of its federal awards to a subrecipient during the year ended October 31, 2020.

Note 6-Non-Cash Assistance

No federal awards were expended in the form of non-cash assistance during the year ended October 31, 2020.

Innis Community Health Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended October 31, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issues on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting

* Material weakness(es) identified?

___ Yes X No

* Significant deficiency(ies) identified?

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major federal programs

* Material weakness(es) identified?

___ Yes X No

* Significant deficiency(ies) identified?

___ Yes X None reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ Yes X No

Identification of major federal programs:

CFDA Numbers
93.224/93.527

Federal Program or Cluster
Health Centers Cluster

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

Auditee qualified as low-risk auditee:

X Yes ___ No

**Innis Community Health Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended October 31, 2020**

Section II – Financial Statement Findings

No findings were noted.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.

Innis Community Health Center, Inc.
Schedule of Prior Year Findings and Questioned Costs
Year Ended October 31, 2020

Section II – Financial Statement Findings

2019-001: Improper Grant Revenue Recognition

Condition:

The Center overstated grant revenue for the year ended October 31, 2019. A prior period adjustment was recorded to correct this misstatement.

Status:

This finding has been cleared.

A management letter was not issued.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.