ACCESS HEALTH LOUISIANA

FINANCIAL STATEMENTS

For the Years Ended February 28, 2019 and 2018

CRI CARR RIGGS & INGRAM
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Access Health Louisiana
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February 28, 2019

Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Access Health Louisiana
Kenner, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Access Health Louisiana (a nonprofit healthcare entity) (AHL), which comprise the statements of financial position as of February 28, 2019 and 2018, 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.

Auditors' 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 audit 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 auditors' 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 AHL'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 AHL'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 Access Health Louisiana as of February 28, 2019 and 2018, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, management has adopted Financial Accounting Standards Board ASU 2016-14, Not-for-Profit Entities (Topic 958); this new standard requires changes to be made in how net assets are classified based on donor restrictions, requires statements of functional expenses, and has added multiple new disclosures. Our opinion is not modified with respect to that matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of Compensation, Benefits and Other Payments to Agency Head is required by Louisiana Revised Statue 24:513(A)(3) and 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 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 for the year ended February 28, 2019, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 July 31, 2019, on our consideration of Access Health Louisiana'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 the Access Health Louisiana'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 Access Health Louisiana's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

July 30, 2019

Financial Statements

ACCESS HEALTH LOUISIANA
STATEMENTS OF FINANCIAL POSITION

As of February 28,		***2019***		*2018*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**$**	**1,702,458**	$	1,097,334
Patient accounts receivable, net of allowance for doubtful accounts of $724,617 for 2019 and $1,595,125 for 2018		**1,262,460**		1,131,286
Other receivables		**765,007**		343,160
Inventory		**180,037**		58,235
Prepaid expenses		**229,218**		104,847
Total Current Assets		**4,139,180**		2,734,862
PROPERTY AND EQUIPMENT				
Property and equipment, net		**9,871,009**		10,439,119
OTHER ASSETS				
Intangibles, net		**1,025**		13,325
Total Other Assets		**1,025**		13,325
TOTAL ASSETS	**$**	**14,011,214**	$	13,187,306
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	**$**	**1,468,389**	$	1,356,295
Accrued expenses		**1,243,876**		1,032,466
Line of credit		**350,000**		499,975
Capital lease obligation - short-term portion		**42,995**		39,305
Current maturities of long-term debt		**462,328**		570,750
Total Current Liabilities		**3,567,588**		3,498,791
LONG-TERM LIABILITIES				
Capital lease obligation - long-term portion		**47,032**		90,027
Long-term debt, less current maturities		**1,584,104**		1,971,242
Total Long-Term Liabilities		**1,631,136**		2,061,269
Total Liabilities		**5,198,724**		5,560,060
NET ASSETS				
Without donor restrictions		**8,597,490**		7,412,246
With donor restrictions		**215,000**		215,000
Total Net Assets		**8,812,490**		7,627,246
TOTAL LIABILITIES AND NET ASSETS	**$**	**14,011,214**	$	13,187,306

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

ACCESS HEALTH LOUISIANA
STATEMENTS OF ACTIVITIES

For the Years Ended February 28,	***2019***	*2018*
WITHOUT DONOR RESTRICTIONS:		
REVENUES AND OTHER SUPPORT		
Patient service revenue (net of contractual allowances and discounts)	**$ 17,134,916**	$ 15,484,940
Less: provision for uncollectible accounts	**(22,468)**	(183,337)
Net patient service revenue	**17,112,448**	15,301,603
Community health centers grant revenue	**4,923,385**	4,556,010
Other grants and contracts revenue	**4,077,130**	3,583,846
Cooperative endeavor agreement support	**1,227,779**	1,409,134
Pharmacy revenue, net	**2,034,262**	39,183
Other revenues	**1,192,142**	570,451
Donations	**66,109**	838,916
Total Revenues and Other Support	**30,633,255**	26,299,143
WITHOUT DONOR RESTRICTIONS:		
EXPENSES		
Program services	**23,599,009**	20,917,543
Management and general	**5,950,085**	5,454,244
Total Expenses	**29,549,094**	26,371,787
Excess (Deficiency) of Revenue Over Expenses	**1,084,161**	(72,644)
Grants for the acquisition of property and equipment	**101,083**	866,610
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**1,185,244**	793,966
NET ASSETS WITHOUT DONOR RESTRICTIONS - Beginning of Year	**7,627,246**	6,833,280
NET ASSETS WITHOUT DONOR RESTRICTIONS - End of Year	**$ 8,812,490**	$ 7,627,246
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	**-**	-
NET ASSETS WITH DONOR RESTRICTIONS - Beginning of Year	**215,000**	215,000
NET ASSETS WITH DONOR RESTRICTIONS - End of Year	**$ 215,000**	$ 215,000

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

ACCESS HEALTH LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended February 28,	Program Services	Management and General	***2019*** Total
Salaries and wages	$ 11,220,246	$ 2,471,273	**$ 13,691,519**
Benefits and payroll taxes	3,714,375	1,130,663	**4,845,038**
Contractual services	2,636,585	1,401,900	**4,038,485**
Pharmaceuticals	1,965,983	-	**1,965,983**
Rent	980,130	-	**980,130**
Depreciation and amortization	621,151	132,325	**753,476**
Maintenance	396,418	60,415	**456,833**
Other	313,488	139,485	**452,973**
Patient supplies	367,760	288	**368,048**
Laboratory	328,624	1,192	**329,816**
Communications	185,122	113,070	**298,192**
Supplies	179,650	86,480	**266,130**
Insurance	194,876	68,877	**263,753**
Travel	91,533	134,157	**225,690**
Utilities	118,490	38,120	**156,610**
Interest	50,835	99,590	**150,425**
Printing and shipping	109,246	14,231	**123,477**
Advertising	81,885	14,221	**96,106**
Dues and memberships	42,612	43,798	**86,410**
Total Expenses	**$ 23,599,009**	**$ 5,950,085**	**$ 29,549,094**

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

ACCESS HEALTH LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended February 28,			***2018***
	Program Services	Management and General	**Total**
Salaries and wages	$ 10,684,853	$ 2,367,446	**$ 13,052,299**
Benefits and payroll taxes	3,441,268	1,082,815	**4,524,083**
Contractual services	1,918,326	1,092,997	**3,011,323**
Pharmaceuticals	1,062,397	1,090	**1,063,487**
Rent	994,154	-	**994,154**
Other	321,570	171,017	**492,587**
Depreciation and amortization	510,856	130,164	**641,020**
Maintenance	382,782	63,678	**446,460**
Patient supplies	406,696	-	**406,696**
Communications	269,967	65,404	**335,371**
Laboratory	289,966	792	**290,758**
Insurance	186,086	60,292	**246,378**
Utilities	146,736	43,111	**189,847**
Travel	79,034	109,630	**188,664**
Interest	26,902	112,288	**139,190**
Supplies	127,007	79,955	**206,962**
Dues and memberships	12,555	48,237	**60,792**
Advertising	38,104	7,745	**45,849**
Printing and shipping	18,284	17,583	**35,867**
Total Expenses	**$ 20,917,543**	**$ 5,454,244**	**$ 26,371,787**

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

ACCESS HEALTH LOUISIANA
Statements of Cash Flows

For the Years Ended February 28,	***2019***	*2018*
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 1,185,244**	$ 793,966
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**753,476**	641,020
Provision for bad debts	**22,468**	183,337
Bad debt - other receivables	**2,999**	73,189
Donation of property and equipment	**-**	(723,943)
(Increase) decrease in operating assets:		
Patient accounts receivable	**(153,642)**	(73,865)
Other receivables	**(424,846)**	281,260
Inventory	**(121,802)**	(58,235)
Prepaid expenses	**(124,371)**	(23,814)
Increase (decrease) in operating liabilities:		
Accounts payable	**112,094**	(744,683)
Accrued expenses	**211,410**	197,657
Deferred revenue	**-**	(54,490)
Net cash provided by operating activities	**1,463,030**	491,399
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	**(173,066)**	(1,439,356)
Net cash used in investing activities	**(173,066)**	(1,439,356)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on line of credit	**(149,975)**	(200,000)
Proceeds from long-term debt	**-**	970,709
Payments on long-term debt and capital lease obligation	**(534,865)**	(68,574)
Net cash (used in) provided by financing activities	**(684,840)**	702,135
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**605,124**	(245,822)
CASH AND CASH EQUIVALENTS - beginning of year	**1,097,334**	1,343,156
CASH AND CASH EQUIVALENTS - end of year	**$ 1,702,458**	$ 1,097,334
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Cash paid for interest during the year	**$ 150,425**	$ 139,190
NON-CASH FINANCING ACTIVITY:		
Assumption of note payable for donated property and equipment	**$ -**	$ 476,057

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Access Health Louisiana (AHL) is a Federally Qualified Health Center incorporated in the State of Louisiana as a non-profit organization that works to improve, promote and maintain the physical and emotional health of patients in the communities served, regardless of their ability to pay. AHL currently has 24 individual clinic locations which operate under registered trade names reflective of the communities they serve. AHL recognizes patient service revenue for the provision of medical, behavioral, and dental health services through community health centers, school-based wellness centers, and specialty service clinics located in southeastern Louisiana across eleven parishes throughout Louisiana. AHL's administrative offices are located in Kenner, Louisiana. During the 2018 fiscal year, AHL opened a retail delivery pharmacy managed by a third party.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or grant is received, the amount is reported as revenue and other support without restriction. Accordingly, net assets of AHL and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – These net assets generally result from revenues generated by investment income and royalties that have no donor restrictions less expenses incurred for investment management and administrative functions.

- Net Assets With Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of AHL to make assumptions, estimates, and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. AHL considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances and a provision for doubtful accounts; allocation of functional expenses; and depreciable lives of property, plant and equipment. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, AHL considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Patient Accounts Receivable

AHL extends credit to patients, as well as to third-party intermediaries responsible for medical services provided to patients. In most cases, the amount collected is less than the amount billed. The balance in patient accounts receivable is net of contractual adjustments and an allowance for doubtful accounts. The allowance for doubtful accounts is based upon a review of aging of outstanding receivables, historical collection information and existing economic conditions. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

For receivables associated with services provided to patients who have third-party coverage, AHL analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), AHL records a significant provision for bad debts in the period of services on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

AHL's allowance for uncollectible accounts was 36% of patient accounts receivable net of estimated contractual allowances at February 28, 2019, compared to 58% at 2018. All payor balances over 120 days have allowances ranging from 65% to 100% and balances over 120 days account for 29% and 50% of gross accounts receivable for the years ended February 28, 2019 and 2018, respectively.

AHL's process for determining the appropriate level of the allowance for doubtful accounts involves judgment, and considers such factors as the age of the underlying receivables, specific account reviews, historical collection experience, and other external factors that could affect the collectability of its receivables. Changes to the allowance for doubtful accounts are recorded as an adjustment to bad debt expense. Recoveries of accounts receivable previously written off are recorded as a reduction of the provision for uncollectible accounts when received. AHL does not charge interest on past due accounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Receivables

Other receivables principally include program service grants and fees which are uncollateralized funding source obligations and are stated at the invoice amount. These are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to other receivables.

Property and Equipment

AHL capitalizes fixed assets with costs of $1,000 or greater and useful lives of three years or more. Property and equipment are stated at cost. Donations of property and equipment are capitalized at the estimated fair value of the donation. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The classes of depreciable assets and their respective estimated useful lives are as follows:

Buildings and improvements	15-40 years
Leasehold improvements	5-10 years
Office and medical equipment	3-7 years
Vehicles	3-7 years

Intangible Assets

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic *Intangibles - Goodwill and Other* addresses the initial recognition and measurement of intangible assets acquired outside a business combination and the recognition and measurement of goodwill and other intangible assets subsequent to their acquisition. In accordance with this Topic, intangible assets that have an indefinite useful life are not amortized, but rather are subject to an impairment test. Intangible assets that have a finite useful life are amortized over the asset's estimated useful life.

Amortization is calculated using the straight-line method unless another method better reflects the pattern of consumption of the economic benefits of the intangible asset.

Long-Lived Asset Impairment

AHL evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended February 28, 2019 or 2018.

Grant Revenue and Funding Source

Grants are recognized as revenue when earned. Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met. AHL 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 unexpended funds, or both, as a result of non-compliance by AHL with the terms of the grants. In addition, if AHL terminates the activities of the grants, all unexpended federal funds are to be returned to DHHS. The grant agreement requires AHL to provide primary healthcare to all requesting individuals; however, the amount an individual actually pays is based on the individual's personal income.

Net Patient Service Revenue

AHL has agreements with third-party payers that provide for payments to AHL 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.

Pharmacy Revenue and Expenses

During the 2018 fiscal year, AHL opened a retail delivery pharmacy managed by a third party. Pharmacy revenue is recognized at the time pharmaceuticals or medical supplies are delivered to patients. Pharmacy revenue is reported at the net realizable amounts due from customers or third-party payors. Pharmacy revenues were $2,034,262 and $39,183 net of pharmacy adjustments of $16,631 and $79 for the years ended February 28, 2019 and 2018, respectively. AHL records account receivables for amounts billed to third-parties for prescriptions dispensed, but not paid as of the end of the year. Accounts receivables for pharmacy revenue were $194,897 and $24,460 for the years ended February 28, 2019 and 2018, respectively and are included in other receivables on statement of financial position. The costs of pharmaceuticals were $986,135 and $30,973 for the years ended February 28, 2019 and 2018, respectively and recognized at the same period as pharmacy revenue when pharmaceuticals or medical supplies are delivered to patients.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Incentive Revenue

AHL participates in a shared savings agreement with a third party insurer whereby if AHL meets certain quality risk metrics as defined in the agreement, the third party will share with AHL a percentage of calculated savings. AHL recognizes incentive payments as revenue when it is reasonably assured that the quality risk metrics have been achieved. At February 28, 2019 and 2018, AHL recorded incentive revenue of $1,124,572 and $336,482 as other revenue on the statements of activities.

Charity Care

In the ordinary course of business, AHL renders services to patients who are financially unable to pay for medical care. AHL provides care to these patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Charity care eligibility is based on limited or no insurance coverage, income compared to published poverty levels and family size, as well as other factors. Because AHL does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

AHL maintains records to identify and monitor the level of charity care it provides. Charity care is measured based on AHL's estimated direct and indirect costs of providing charity care services. That estimate is made by multiplying the amount of charges forgone by the estimated cost to charge ratio. The cost of charity care provided during the years ended February 28, 2019 and 2018 was estimated as $2,896,714 and $1,911,386, respectively.

Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, AHL reports the support as without restriction. Otherwise, when a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without restriction and reported in the statements of activities as net assets released from restrictions.

340B Drug Pricing Program

AHL participates in the 340B Drug Pricing Program, which is a US federal government program that requires drug manufacturers to provide outpatient drugs to eligible health care organizations and covered entities at significantly reduced prices.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

AHL is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, AHL is subject to federal income tax on any unrelated business taxable income.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. AHL believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in operating expenses.

Non-Direct Response Advertising

AHL expenses advertising costs as incurred. Advertising expenses amounted to $96,106 and $45,849 for the years ended February 28, 2019 and 2018, respectively.

Compensated Absences

Employees of AHL are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of accrued expenses on AHL's statement of financial position were $401,734 and $343,337, as of February 28, 2019 and 2018, respectively.

Functional allocations of expenses

Any costs related to program administration are functionally classified as program service expenses. Any costs related to activities that constitute direct conduct or direct supervision of program service are program expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of AHL.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and management and general based on actual or percentage of use. The expenses that are allocated include depreciation and amortization, maintenance, laboratory, insurance, and utilities which are allocated on a square footage basis. Salaries and wages, benefits and payroll taxes, contractual services, communications, travel, supplies, dues and memberships, advertising, other, and printing and shipping are allocated on basis of estimates of time and effort.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Excess (Deficiency) of Revenues Over Expenses

The statements of activities include deficiency of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions and grants of long-lived assets (including assets acquired using contributions or grants which by donor or granting agency restriction were to be used for the purpose of acquiring such assets).

Recently Adopted Accounting Standards

Effective January 1, 2018, AHL adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. AHL has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of AHL's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.

- The temporarily and permanently restricted net assets has been renamed net assets with donor restrictions.

- The presentation of functional classification of expenses in the statements of functional expenses, is supplemented with enhanced disclosures about the methods used to allocate cost among functions and the basis for which to allocate cost between program and supporting expenses.

- The financial statements include a new footnote disclosure about liquidity and availability of resources (See Note 11).

Future Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)"*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." In applying the revenue model to contracts within its scope, an entity:

- Identifies the contract(s) with a customer (step 1)
- Identifies the performance obligations in the contract (step 2)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Determines the transaction price (step 3)
- Allocates the transaction price to the performance obligations in the contract (step 4)
- Recognizes revenue when (or as) the entity satisfies a performance obligation (step 5)

ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018. Subsequent to the issuance of ASU No. 2014-09, various ASU amendments to the revenue guidance have been issued. These updates address 1) Principal versus Agent Considerations (Reporting Revenue Gross versus Net); 2) Identifying Performance Obligations and Licensing; 3) Rescission of Certain SEC Staff Observer Comments upon Adoption of Topic 606; and 4) Narrow-Scope Improvements and Practical Expedients. The effective date for each of these revenue amendments is concurrent with the effective date of ASU 2014-09, as referenced above. Management is still evaluating the impact that implementation of these ASUs will have on the AHL's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* with new guidance intended to increase transparency and comparability among organizations relating to leases. Lessees will be required to recognize a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the lease term. The FASB retained a dual model for lease classification, requiring leases to be classified as finance or operating leases to determine recognition in the statements of activities and cash flows; however, substantially all leases will be required to be recognized on the balance sheet. Lessor accounting is largely unchanged from the current accounting model. The standards update will also require quantitative and qualitative disclosures regarding key information about leasing arrangements. The standards update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. It must be adopted using a modified retrospective approach, and provides for certain practical expedients. The transition will require application at the beginning of the earliest comparative period presented at the time of adoption. Management is evaluating the impact of this standards update on the AHL's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which AHL serves as a resource recipient for fiscal years beginning after December 15, 2018. Early adoption is permitted. AHL believes the impact of the adoption of this ASU on its financial statements will have no material effect.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force).* ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. However, if it is impracticable to apply the amendments retrospectively for

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. For nonpublic entities, this guidance is effective for fiscal years beginning after December 15, 2018. ASU 2016-15 requires a retrospective transition method. The Company is currently evaluating the impact of the guidance on its financial statements.

In November 2016 , the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. For nonpublic entities, this guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of the guidance on its financial statements.

Reclassifications

Certain reclassifications to financial statement line-items have been made to the 2018 financial statements in order to conform to the 2019 presentation.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of February 28, 2019 and 2018:

		2019		2018
Property and Equipment				
Land	$	**409,620**	$	409,620
Buildings and Improvements (15-40 years)		**8,725,393**		8,758,344
Office Equipment (3-7 years)		**1,650,769**		1,734,044
Medical Equipment (3-7 years)		**996,070**		934,996
Vehicles (3-7 years)		**256,454**		256,454
Leasehold Improvements (5-10 years)		**2,416,020**		1,582,947
Total Property and Equipment		**14,454,326**		13,676,405
Less: Accumulated Depreciation		**(4,583,317)**		(3,971,924)
		9,871,009		9,704,481
Construction in Progress		**-**		734,638
Total Property and Equipment, Net	$	**9,871,009**	$	10,439,119

Total depreciation expense for the years ended February 28, 2019 and 2018 was $741,176 and $628,720, respectively.

NOTE 2 – PROPERTY AND EQUIPMENT (CONTINUED)

The construction in progress reflected in the schedule above principally represents building and renovating costs associated with Belle Chase clinic. The renovations were completed during the fiscal year ended February 28, 2019. AHL recognized grant proceeds of $101,083 and $866,610 for the years ended February 28, 2019 and 2018, respectively.

In December, 2017, AHL received a donation consisting of land and a building. The land and building had a fair market value on the date of the donation of $1,200,000. AHL record these assets at fair market value at the date of donation. Coincident therewith, AHL assumed a note payable associated with the property from the donor of $476,057. AHL recognized a donation from this transaction of $723,943 for the year ended February 28, 2018, which is included in the statement of activities.

NOTE 3 – ASSET ACQUISITION AGREEMENT

During April of 2016, AHL entered into an asset acquisition agreement to acquire the assets of a previous practice of certain physicians who became employees of AHL upon the purchase of the assets. Intangible assets acquired in this acquisition were associated with medical records. Total purchase price of the assets was $78,728 with $36,900 associated with the purchase of the medical records.

AHL began amortization of the intangible costs at the time of acquisition of the assets for a period of three years. Amortization expense for the years ended February 28, 2019 and 2018 was $12,300 and $12,300, respectively.

NOTE 4 – LINE OF CREDIT

During the 2018 fiscal year, AHL opened a line of credit with a new financial institution of $500,000, bearing an interest rate of 6.75%, maturing January 23, 2019. Upon its expiration, the line of credit was renewed, bearing an interest rate of 6.75%, maturing October 15, 2019. At February 28, 2019, and 2018, AHL's outstanding balance on this line of credit was $350,000 and $499,975, respectively. Line of credit secured by all assets of AHL.

NOTE 5 – NOTES PAYABLE

Details of notes payable are as follows:

	2019	2018
Note Payable – Gulf Coast Bank – Payable in annual installments of $250,000, and monthly interest payments at 5.25%, maturing March 23, 2020, secured by real property located in Jefferson Parish, LA.	**$ 500,000**	$ 750,000
Note Payable – Catahoula Lasalle Bank – Payable in monthly installments of $7,643, including interest at 4.37%, maturing October 15, 2022. Secured by a building in Woodworth, LA	**385,369**	458,400
Note Payable – Ford Credit – Payable in monthly installments of $645, including interest at 6.84%, maturing October 19, 2022.	**-**	30,852
Note Payable – ReCept Pharmacy – Due on demand, including interest at 3.75%.	**100,000**	207,499
Note Payable – USDA – Payable in monthly installments of $2,090, including interest at 4.00%, secured by a building in Luling, LA, maturing April 2050.	**446,333**	453,401
Note Payable- Gulf Coast Bank - Payable in monthly installments of $4,785, including interest at 4.75%, secured by real property in Kenner, LA, maturing March 2034.	**614,730**	641,840
Total Notes Payable	**2,046,432**	2,541,992
Less: Current Maturities	**(462,328)**	(570,750)
Notes Payable less Current Maturities	**$ 1,584,104**	$ 1,971,242

Maturities by year for AHL's long and short-term debt instruments detailed above are as follows for the year ending February 28, 2019:

Year Ending February 28,	
2020	$ 462,328
2021	366,914
2022	122,317
2023	127,886
2024	102,670
Thereafter	864,317
Total	$ 2,046,432

NOTE 5 – NOTES PAYABLE (CONTINUED)

AHL incurred $150,425 and $139,190, in interest expense on financed obligations, for the years ended February 28, 2019 and 2018, respectively.

NOTE 6 – CAPITAL LEASE OBLIGATION

AHL entered into a capital lease obligation for software during the fiscal ended February 28, 2017. The economic substance of the lease is that AHL is financing the acquisition of the asset through the lease, and, accordingly, it is recorded in AHL's assets and liabilities. The capital lease obligation expires March 2021. The lease agreement contains a bargain purchase option at the end of the lease term.

The net book value of assets recorded under capital leases as of February 28, 2019 consist of the following:

		2019
Office and equipment	$	198,110
Less accumulated amortization		(108,083)
	$	90,027

Amortization of the asset held under the capital lease was $108,083 and $66,037 for the years ended February 28, 2019 and 2018, respectively, which is included in Note 2 depreciation expense. Amortization of the asset held under capital lease is included in depreciation and amortization expense.

The following is a schedule, by years, of future minimum payments required under the lease together with their present value as of February 28, 2019:

2020	$	49,358
2021		49,358
Total future minimum lease payments		98,716
Less: amounts representing imputed interest		(8,689)
Present value of future minimum lease payments	$	90,027

NOTE 7 –NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consist of donated land, recognized at the estimated fair value at the time of donation of $215,000. The land is to be used in perpetuity for the purpose of housing a community health center in Norco, Louisiana.

NOTE 8 – NET PATIENT SERVICE REVENUE

AHL recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of estimated contractual rates for the services rendered.

For uninsured patients that do not qualify for the sliding fee program, AHL recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of AHL's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus, AHL records a significant provision for uncollectible accounts related to these patients in the period the services are provided. This provision for uncollectible accounts is presented in the statements of activities as a component of net patient service revenue.

AHL is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. AHL has agreements with third-party payers that provide for payments at amounts different from AHL's established rates. These payment arrangements are as follows:

> *Medicare*- Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. AHL is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by AHL and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC benefit are paid based on established fee schedules.
>
> *Medicaid* - Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. AHL is reimbursed a set encounter rate for all services under the plan. Services not covered under the FQHC benefit are paid based on established fee schedules.

Laws and regulations governing these programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

AHL has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized for the years ended February 28, 2019 and 2018, respectively, as follows:

NOTE 8 – NET PATIENT SERVICE REVENUE (CONTINUED)

	2019	2018
Medicaid	$ **12,470,606**	$ 10,245,848
Commercial	**2,039,943**	1,814,418
Medicare	**2,029,449**	1,976,538
Other Government Programs	**447,721**	732,215
Private Pay	**147,197**	715,921
Total	$ **17,134,916**	$ 15,484,940

NOTE 9 – COOPERATIVE ENDEAVOR AGREEMENTS

Pursuant to a cooperative endeavor agreement with St. Charles Parish, AHL provides accessible healthcare services for residents of St. Charles Parish in exchange for the use of a Parish-owned building and direct financial support from the proceeds of ad valorem taxes via lump sum payments, less deductions for certain costs associated with the Parish-owned facilities provided. The current agreement terminates in December 2020. On November 6, 2018, the residents of St. Charles Parish extended the public health millage through December 2029.

Pursuant to multiple cooperative endeavor agreements with St. Tammany Parish, AHL provides primary medical care, behavioral/mental health, and other FQHC-related services to the public in the Slidell area. AHL also operates a pediatric practice, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program, and a suicide prevention program with the St. Tammany Parish Hospital District. In exchange, AHL is provided the use of operating space in the hospital's Wellness Pavilion via a cooperative endeavor agreement. The agreement terminated in December 2017.

Pursuant to a cooperative endeavor agreement with St. Tammany Parish, AHL operates and provides behavioral/mental health and other FQHC-related services to the public in the Covington area. Under this agreement, AHL also donated a modular building to St. Tammany Parish from which AHL operates this clinic. In exchange, AHL is provided the use of operating space in St. Tammany Parish's Fair Grounds Annex Building as well as the building donated by AHL to St. Tammany Parish via a cooperative endeavor agreement. The agreement terminated in October 2017.

Pursuant to a cooperative endeavor agreement with St. Bernard Parish, AHL provides accessible healthcare services for residents of St. Bernard Parish in exchange for the use of office space in the medical office building adjacent to the new hospital. This agreement also provides for discretionary direct financial support from the proceeds of ad valorem taxes via lump sum payments, less deductions for certain costs associated with the Parish-owned facilities provided. The agreement stipulates that AHL shall make requests for such support in writing on or about January 31 of each year. This has been recognized in these financial statements as cooperative endeavor agreement support. The agreement is effective through December 31, 2021.

NOTE 9 – COOPERATIVE ENDEAVOR AGREEMENTS (CONTINUED)

During the year ended February 28, 2014, AHL entered into a transfer and affiliation agreement with a local university, whereby AHL is responsible for administration of a clinic associated with the university's medical center. In exchange, AHL is provided use of the clinic space at no charge. The agreement terminated on August 5, 2017 when the clinic suffered catastrophic loss due to a flood.

Revenues earned as exchange transactions under these cooperative endeavor agreements, along with the corresponding program expenses, are reflected in the statements of activities.

During the fiscal years ended February 28, 2019 and 2018, AHL recognized the following support in its financial statements associated with the agreements:

		2019		2018
Estimated Lump Sum Payments Received or Receivable from St. Charles Parish	**$**	**751,000**	$	732,259
Estimated Lump Sum Payments Received or Receivable from St. Bernard Parish		**149,149**		167,371
Use of Operating Space Owned by Various Parish Governments		**327,630**		509,504
Total Cooperative Endeavor Support	**$**	**1,227,779**	$	1,409,134

There were no receivables related to these cooperative endeavor agreements at February 28, 2019 and 2018.

NOTE 10 – 340B DRUG PRICING PROGRAM

AHL participates in the 340B Drug Pricing Program, which is a US federal government program that requires drug manufacturers to provide outpatient drugs to eligible health care organizations and covered entities at significantly reduced prices. Revenues from the program were $1,350,026 and $1,572,849 for the years ended February 28, 2019 and 2018, respectively and are included in other grants and contracts revenue. Expenses related to the program were $318,808 and $423,142 for the years ended February 28, 2019 and 2018, respectively and are included in pharmaceuticals as program services on the statement of functional expenses.

NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

AHL has $3,729,925 of financial assets available within one year of the statement of financial position dated February 28, 2019 consisting of cash and cash equivalents of $1,702,458, patient receivable of $1,262,460, and other receivables of $765,007. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for the general expenditure within one year of the statement of financial position date. AHL has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet one month of normal operating expenses, which are, on average, approximately $2,462,424. Management believes it has appropriate available financial resources.

NOTE 12 – COMMITMENTS, CONCENTRATIONS, AND CONTINGENCIES

Lease Commitments

AHL has entered into various long-term and month-to-month lease agreements for office space in a variety of Louisiana cities and towns, including Kenner, St. Rose, Belle Chase, Luling, New Orleans, and Bogalusa. The terms of the leases range from 1 to 120 months and expire through May 2026. AHL is currently committed to monthly payments totaling approximately $55,389 under these leases.

AHL has entered into various lease agreements for office equipment. The term of the leases range from 36 to 60 months and expire through April 2019. AHL is committed to monthly payments totaling $9,351 under these leases.

The following is a schedule of future minimum lease payments as of February 28, 2019:

Year Ending February 28,		
2020	$	603,379
2021		513,610
2022		486,305
2023		461,097
2024		292,294
Thereafter		586,148
Total	**$**	**2,942,832**

During the fiscal year ended February 28, 2019 and 2018 amounts paid under lease agreements were $1,101,413 and $1,120,428 respectively.

Concentrations of Credit Risk

AHL grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers as of February 28, 2019 and 2018, was as follows:

NOTE 12 – COMMITMENTS, CONCENTRATIONS, AND CONTINGENCIES (CONTINUED)

	2019	2018
Payor	Percent	
Medicaid	**41%**	29%
Medicare	**21%**	19%
Patients	**20%**	38%
Managed Care and other Third-Party Payors	**18%**	14%
Total	**100%**	100%

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

AHL periodically maintains cash in bank accounts in excess of federally insured limits. At February 28, 2019 and 2018, AHL had cash in excess of the federally insured limit of $1,569,361 and $1,066,185, respectively. AHL has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

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, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare/Medicaid reimbursement in an amount estimated to equal the overpayment.

NOTE 12 – COMMITMENTS, CONCENTRATIONS, AND CONTINGENCIES (CONTINUED)

AHL will deduct from revenue any amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments are possible; however, the outcome of such assessments is unknown and cannot be reasonably estimated.

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

Economic Conditions

Current local and national economic conditions have created challenges for not-for-profit healthcare organizations including rising costs, and declines in contributions. Rising unemployment rates have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the AHL's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program. Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in future adjustments to the allowances for accounts and contributions receivable that could negatively impact AHL. The financial statements have been prepared using values and information currently available to AHL.

Risk Management

Effective August 13, 2003, The U.S. Department of Health and Human Services deemed AHL and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon AHL's claim experience, no such accrual has been made. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

NOTE 13 – RETIREMENT PLAN

AHL maintains a defined contribution retirement plan under IRS Code Section 403(b). AHL matches 100% of an employee's salary deferral contributions up to 4%. Matching contributions totaling $317,773 and $302,916, for the years ended February 28, 2019 and 2018, respectively, were made by AHL.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 30, 2019, and determined that other than the matters disclosed in Note 1 to the financial statements and below, no such other events occurred that require disclosure. No other subsequent events occurring after July 30, 2019, have been evaluated for inclusion in these financial statements.

In March of 2019, AHL refinanced Catahoula Lasalle Bank note payable maturing October 15, 2022. The refinanced amount of note payable is $600,000 maturing on September 29, 2026, payable in monthly installments of $8,863, including fixed interest rate of 6.25%. No debt covenants from the lender noted.

Supplementary Information

Access Health Louisiana
Schedule of Compensation, Benefits, and Other Payments to Agency Head

For the year ended February 28,	Mark Keiser, CEO **2019**
Salary	$ -
Benefits- insurance	-
Benefits - retirement	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Total Compensation, Benefits, and Other Payments	**$ -**

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expenses, per diem, and registration fees be reported as a supplemental report within the financial statement of local governmental and quasi-public auditees. In 2015 Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

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INDEPENDENT AUDITORS' 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
Access Health Louisiana
Kenner, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Access Health Louisiana (AHL), which comprise the statement of financial position as of February 28, 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 report thereon dated July 30, 2019

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AHL'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 AHL's internal control. Accordingly, we do not express an opinion on the effectiveness AHL'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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AHL'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 audits, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C

July 30, 2018

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

Board of Directors
Access Health Louisiana
Kenner, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Access Health Louisiana's (AHL) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AHL's major federal programs for the year ended February 28, 2019. AHL's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of AHL'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 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 AHL'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 on AHL's compliance.

Opinion on Each Major Federal Program

In our opinion, AHL 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 February 28, 2019.

Report on Internal Control Over Compliance

Management of AHL 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 AHL'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 AHL'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of AHL as of and for the year ended February 28, 2019, and have issued our report thereon dated July 30, 2019, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

July 30, 2019

Schedule of Expenditures of Federal Awards

Grantor/Program Title	Federal CFDA Number	Pass-Through Entity No.	Federal Expenditures	Amount Passed through to Subrecipient	Total Federal Expenditures
U.S. Department of Health and Human Serivices:					
Health Center Cluster					
Community Health Centers Program	93.224	N/A	$ 1,331,794	$ -	$ 1,331,794
Affordable Care Act Grants for New and Expanded Services under the Health Center Program	93.527	N/A	3,692,674	-	3,692,674
Total Health Centers Cluster			5,024,468	-	5,024,468
Passed through Dallas County Hospital District dba Parkland Health & Hospital System					
HIV-Related Training and Technical Assistance	93.145	U10HA29290	111,585		111,585
Total U.S. Department of Health and Human Services			5,136,053	-	5,136,053
U.S. Department of Agriculture:					
Passed-Through State of LA Department of Health and Hospitals, Office of Public Health					
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	057847, 057848 & 057849	866,974	-	866,974
Total U.S. Department of Agriculture			866,974	-	866,974
Total Federal Assistance			$ 6,003,027	$ -	$ 6,003,027

See accompanying independent auditors' report

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the revenues from federal awards of Access Health Louisiana (AHL) as defined in Note 1 to AHL's basic financial statements for the year ended February 28, 2019. All federal financial assistance was received directly from federal agencies is included on the schedule, as well as federal assistance passed through other government agencies.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Access Health Louisiana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). AHL elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards revenues are reported in JCHCC's basic financial statements as program revenues.

NOTE 4 – FEDERALLY FUNDED INSURANCE

AHL has no federally funded insurance.

NOTE 5 – NONCASH ASSISSTANCE

AHL did not receive any federal noncash assistance for the fiscal year ended February 28, 2019.

NOTE 6 – LOAN

AHL did not expend federal awards related to loans or loan guarantees during the year.

A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	None noted
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
c. Noncompliance material to the financial statements noted?	None noted

Federal Awards

1. Type of auditors' report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	None noted
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
3. Any audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)?	None noted
4. Identification of the major programs:	

Name of Federal Award (or Cluster)	CFDA No.
Health Centers Programs Cluster	93.224 & 93.527
Special Supplemental Nutrition Program for Woman, Infants, and Children	10.557

5. Dollar threshold used to distinguish between type A and type B programs:	$750,000
6. Auditee qualified as a low-risk auditee?	No

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings noted related to the financial statements for the year ended February 28, 2019.

C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

There were no findings noted related to compliance and other matters for the year ended February 28, 2019.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

There were no findings noted related or questioned costs noted related to the major federal award program for the year ended February 28, 2019.

A. PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs for the year ended February 28, 2019.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Members of the
Board of Directors of
Access Health Louisiana and
The Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of Access Health Louisiana ("AHL") and the Louisiana Legislative Auditor ("LLA") on the control and compliance ("C/C") areas identified in the LLA's Statewide Agreed-Upon Procedures ("SAUPs") for the fiscal period March 1, 2018 through February 28, 2019. AHL is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtained AHL's written policies and procedures and observed that those written policies and procedures address each of the following financial/business functions:

   a) ***Budgeting,*** including preparing, adopting, monitoring, and amending the budget.

      Results: No exceptions were found as a result of applying the procedure.

   b) ***Purchasing,*** including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

      Results: No exceptions were found as a result of applying the procedure.

   c) ***Disbursements,*** including processing, reviewing, and approving.

      Results: No exceptions were found as a result of applying the procedure.

d) ***Receipts/Collections,*** including receiving, recording, and preparing deposit.

Results: No exceptions were found as a result of applying the procedures, except for the following: policy regarding receipts does not address receiving, recording, and preparing deposits.

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Results: No exceptions were found as a result of applying the procedure.

f) ***Contracting,*** including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Results: No exceptions were found as a result of applying the procedures, except for the following: policy regarding contracting does not address types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring process.

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable),*** including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

Results: No exceptions were found as a result of applying the procedure

h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Results: No exceptions were found as a result of applying the procedures, except for the following: policy regarding travel and expense reimbursement does not identify dollar thresholds by category of expenses.

Bank Reconciliations

2. Obtain a listing of the Company's bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account. Select the operating account and randomly select 4 additional accounts and observe that:

a) Bank reconciliations have been prepared within 2 months of the related statement closing date;

Results: No exceptions were found as a result of applying the procedure.

b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledger, or issue checks, has reviewed each bank reconciliation; and

Results: No exceptions were found as a result of applying the procedure.

c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of applying the procedure.

Travel and Expense Reimbursement

3. Obtain from management a listing of all travel and travel related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

   a) If reimbursed using a per diem, agree the reimbursement rate to those rates established by either the State of Louisiana or the U.S. General Services Administration.

      Results: No exceptions were found as a result of applying the procedures, except for the following: policy regarding travel and expense reimbursement did not identify the dollar thresholds by category of expense.

   b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased

      Results: No exceptions were found as a result of applying the procedures, except for the following: exception found for 1 out of 5 reimbursements tested did not have an original itemized receipt.

   c) Observe that each reimbursement is supported by documentation of the business/public purpose and other documentation required by written policy.

      Results: No exceptions were found as a result of applying the procedure.

   d) Observe that reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

      Results: No exceptions were found as a result of applying the procedure.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Carr, Riggs & Ingram, L.L.C.

July 30, 2019

Access Health Louisiana
Your Community Healthcare Network

MARK F. KEISER, MBA, MHA, MPH, FACHE
President / Chief Executive Officer

PETER TORSCH
Senior Vice President / Chief Financial Officer

JAMES G. COMEAUX, LCSW
Senior Vice President of Operations

CHENISE N. HAMILTON, MBA, PHR, SHRM-CP
Senior Vice President of Human Resources

RONALD C. JOHNSON, CLSSBB
Senior Vice President of Support Division

KEVIN O. JOSEPH, MD
Senior Vice President of Medical Affairs

July 30, 2019

Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

RE: Management's Response to Statewide Agreed-Upon Procedures
Access Health Louisiana

Dear Sirs:

Access Health Louisiana has implemented new policies and procedures in regard to the comments for each financial function that will improve operations and internal controls.

Sincerely,

Mark F. Keiser, MBA, MHA, MPH, FACHE
President/CEO