

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

**AUDITED FINANCIAL STATEMENTS**

**FEBRUARY 28, 2019  
(With Summarized Financial  
Information for 2018)**

ST. GABRIEL HEALTH CLINIC, INC.  
February 28, 2019  
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**BROWN, EWING & CO.**  
P. A.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of St. Gabriel Health Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of February 28, 2019, and the related statements of operations and changes in net assets, statement of functional expenses, and statement of cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Gabriel Health Clinic, Inc. as of February 28, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the St. Gabriel Health Clinic, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other-Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 16 - 18 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulation* 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 August 5, 2019, on our consideration of St. Gabriel Health Clinic, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 St. Gabriel Health Clinic, Inc. internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Gabriel Health Clinic, Inc.'s internal control over financial reporting and compliance.

*Brown, Emig & Co.*  
Ridgeland, Mississippi  
August 5, 2019

ST. GABRIEL HEALTH CLINIC, INC.  
Statement of Financial Position  
February 28, 2019  
(With Summarized Financial Information for 2018)

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ -	\$ 169,973
Patient care receivables, less allowance of \$(379,949) for doubtful accounts	155,179	178,944
Grants and contracts receivable	100,000	100,000
Prepaid expenses	<u>3,500</u>	<u>365</u>
Total Current Assets	<u>258,679</u>	<u>449,282</u>
Fixed Assets:		
Land	15,000	15,000
Building and improvements	766,882	766,882
Furniture and equipment	451,728	451,728
Vehicles	<u>-</u>	<u>24,880</u>
	1,233,610	1,258,490
Less: Accumulated depreciation	<u>(867,438)</u>	<u>(843,585)</u>
Net Fixed Assets	<u>366,172</u>	<u>414,905</u>
OTHER ASSETS		
Deposits	<u>6,000</u>	<u>6,000</u>
TOTAL ASSETS	<u>\$ 630,851</u>	<u>\$ 870,187</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 88,276	\$ 109,988
Judgments payable	54,911	28,161
Bank overdraft	51,878	-
Salaries payable	18,563	45,014
Payroll taxes payable	1,422	3,345
Notes payable, current portion	<u>9,935</u>	<u>9,475</u>
Total Current Liabilities:	<u>224,985</u>	<u>195,983</u>
Long-Term Liabilities		
Notes payable	202,114	210,610
Less: current portion	<u>(9,935)</u>	<u>(9,475)</u>
Total Long-Term Liabilities	<u>192,179</u>	<u>201,135</u>
Total Liabilities	<u>417,164</u>	<u>397,118</u>
Net Assets without donor restrictions		
Unrestricted		
Undesignated (operating)	113,687	373,069
Net assets with donor restrictions	<u>100,000</u>	<u>100,000</u>
Total Net Assets	<u>213,687</u>	<u>473,069</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 630,851</u>	<u>\$ 870,187</u>

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

ST. GABRIEL HEALTH CLINIC, INC.  
Statement of Operations and Changes In Net Assets  
For the Year Ended February 28, 2019  
(With Summarized Financial Information for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
SUPPORT AND REVENUES (Note 2)				
Support:				
Grants and contracts	\$ 1,294,572	\$ -	\$ 1,294,572	\$ 1,262,701
Total Support	<u>1,294,572</u>	<u>-</u>	<u>1,294,572</u>	<u>1,262,701</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$(520,971)	700,665	-	700,665	861,585
Other income	<u>13,659</u>	<u>-</u>	<u>13,659</u>	<u>6,596</u>
Total Revenue	<u>714,324</u>	<u>-</u>	<u>714,324</u>	<u>868,181</u>
TOTAL SUPPORT AND REVENUES	<u>2,008,896</u>	<u>-</u>	<u>2,008,896</u>	<u>2,130,882</u>
EXPENSES				
Program Services				
Health care services	<u>1,455,365</u>	<u>-</u>	<u>1,455,365</u>	<u>1,290,917</u>
Total Program Services	<u>1,455,365</u>	<u>-</u>	<u>1,455,365</u>	<u>1,290,917</u>
Supporting Services				
Management and general	<u>812,913</u>	<u>-</u>	<u>812,913</u>	<u>704,979</u>
Total Supporting Services	<u>812,913</u>	<u>-</u>	<u>812,913</u>	<u>704,979</u>
TOTAL EXPENSES	<u>2,268,278</u>	<u>-</u>	<u>2,268,278</u>	<u>1,995,896</u>
Change in Net Assets	(259,382)	-	(259,382)	134,986
Net Assets, Beginning of Year	<u>373,069</u>	<u>100,000</u>	<u>473,069</u>	<u>338,083</u>
NET ASSETS, END OF YEAR	<u>\$ 113,687</u>	<u>\$ 100,000</u>	<u>\$ 213,687</u>	<u>\$ 473,069</u>

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

ST. GABRIEL HEALTH CLINIC, INC.  
Statement of Functional Expenses  
For the Year Ended February 28, 2019  
(With Summarized Financial Information for 2018)

	Health Care Services	Total Program Services	Management and General	2019	2018
Personnel	\$ 910,428	910,428	254,916	\$ 1,165,344	\$ 1,034,179
Fringe benefits	158,778	158,778	(66)	158,712	158,714
Travel	1,287	1,287	21,710	22,997	51,484
Supplies	100,299	100,299	43,468	143,767	125,782
Equipment rental	-	-	-	-	2,288
Contractual	116,010	116,010	36,362	152,372	202,311
Legal and accounting	-	-	226,129	226,129	78,396
Dues and subscriptions	10,225	10,225	9,048	19,273	8,644
Printing	4,818	4,818	-	4,818	158
Repairs and maintenance	12,517	12,517	39,633	52,150	35,140
Insurance	-	-	29,027	29,027	26,150
Staff recruitment	-	-	442	442	1,263
Advertisement	-	-	-	-	3,104
Utilities	6,015	6,015	8,420	14,435	14,632
Continuing education	656	656	5,711	6,367	15,072
Communications	38,152	38,152	442	38,594	48,509
Licenses and fees	-	-	7,290	7,290	4,840
Janitorial	7,200	7,200	8,585	15,785	15,295
Space cost	78,000	78,000	1,864	79,864	74,075
Interest	-	-	10,766	10,766	12,236
Bank charges	-	-	2,166	2,166	840
Moving expenses	-	-	5,513	5,513	3,619
Board expenses	-	-	3,425	3,425	9,978
Disposal services	10,980	10,980	-	10,980	20,332
Other	-	-	49,328	49,328	118
Total expenses before depreciation	<u>1,455,365</u>	<u>1,455,365</u>	<u>764,179</u>	<u>2,219,544</u>	<u>1,947,159</u>
Depreciation	<u>-</u>	<u>-</u>	<u>48,734</u>	<u>48,734</u>	<u>48,737</u>
Total Expenses	<u>\$ 1,455,365</u>	<u>1,455,365</u>	<u>812,913</u>	<u>\$ 2,268,278</u>	<u>\$ 1,995,896</u>

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

ST. GABRIEL HEALTH CLINIC, INC.  
Statement of Cash Flows  
For the Year Ended February 28, 2019  
(With Summarized Financial Information for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (259,382)	\$ 134,986
Adjustments to reconcile changes in assets to net cash provided by(used in) operating activities:		
Depreciation expense	48,734	48,737
Decrease (increase) in:		
Patient care receivables	23,766	(58,435)
Grants and contracts receivable	-	20,000
Prepaid expenses	(3,136)	-
Increase (decrease) in:		
Accounts payable	(21,712)	(54,908)
Salaries payable	(26,451)	14,817
Payroll taxes payable	(1,923)	1,035
Judgments payable	26,750	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(213,354)</u>	<u>106,232</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in notes payable	(8,497)	(7,285)
Short term borrowings	51,878	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>43,381</u>	<u>(7,285)</u>
 NET INCREASE (DECREASE) IN CASH	(169,973)	98,947
 CASH, BEGINNING OF YEAR	<u>169,973</u>	<u>71,026</u>
 CASH, END OF YEAR	<u>\$ -</u>	<u>\$ 169,973</u>
 <u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 10,766</u>	<u>\$ 12,236</u>

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

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2019

NOTE 1 - ABOUT THE ORGANIZATION

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of St. Gabriel Health Clinic, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The Organization is required to report information regarding its financial position and operations according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the Organization is required to present a statement of functional expenses.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification 958, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Operations and Changes In Net Assets and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 30 years.
- Acquisition of non-expendable property are treated as expenditures of the program in the period the costs are incurred, and the assets values are reported in fixed assets. Property acquired is considered owned by the Organization while used in the program for which it was purchased or in future authorized programs. However, the federal government has a reversionary interest in property purchased or acquired with federal funds; its disposition as well as the ownership of any proceeds therefrom is subjected to the regulations of the funding source.
- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Statement of Operations as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employee's Annual Leave - SGHC does not charge annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned. It is expensed in the period in which the employees used the leave. See Note 8.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payers and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

- O. Classification of Net Assets - Net Assets of St. Gabriel Health Clinic are classified based on the presence or absence of donor-imposed restrictions. Net Assets are comprised of two groups as follows:

a) Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

b) Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may need to be maintained in perpetuity.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS  
OF INSURED LIMITS

The Organization maintains its cash balances in one (1) financial institution located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At February 28, 2019, the Organization did not have any uninsured cash balances.

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2019

NOTE 4 - PATIENT RECEIVABLES RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at February 28, 2019 :

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 158,377
Government	369,921
Other	6,830
	<u>\$ 535,128</u>

Allowance for doubtful accounts is summarized as follows at February 28, 2019

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 232,450
All Other	147,499
	<u>\$ 379,949</u>

NOTE 5 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at February 28, 2019:

<u>Patient Service Revenue</u>	<u>Amount</u>
Patient Service Revenue	\$ 1,221,636
Less: Contractual adjustment under third-party reimbursement program and discounts	(296,230)
Provision for bad debts	(224,741)
Net Patient Service Revenue	<u>\$ 700,665</u>

NOTE 6 - FIXED ASSETS

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

<u>Assets</u>	
Land	\$ 15,000
Building and improvements	766,882
Furniture and Equipment	451,728
Total Property and Equipment	1,233,610
Less: Accumulated Depreciation	(867,438)
Net Property and Equipment	<u>\$ 366,172</u>

Depreciation expense at February 28, 2019 totaled \$48,734.

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2019

NOTE 7 - CORPORATE INCOME TAXES

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

The Organization has analyzed its tax positions taken for filings with the Internal Revenue. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2016, 2017, and 2018 are subject to examination by the federal, state and local taxing authorities, generally for three years after they are filed.

NOTE 8 - COMMITMENTS

Annual Leave

The cost of employee's unused annual leave at February 28, 2019 is not included in the financial statements. See Note 2.J. above. If the leave were included in the financial statements, it would affect the financial statements by the amount of the leave by ( a ) increasing expenses, ( b ) decreasing the excess of support and revenues over expenses and ( c ) increasing accrued liabilities.

NOTE 9 - SUMMARY OF FUNDING AND SUPPORT

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

<u>Source</u>	<u>Grant Number</u>	<u>Period</u>	<u>Amount</u>
U.S. Dept. of HHS (Health Center Cluster)	H80CS00551	3/1/18-2/28/19	\$ <u>1,294,572</u>
TOTALS			\$ <u>1,294,572</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

The Clinic's temporarily restricted net assets as of February 28, 2019, consisted of the following:

Net Assets With Donor Restrictions	
School Based Clinic support for	
future periods	\$ <u>100,000</u>
Total Net Assets With Donor Restrictions	\$ <u>100,000</u>

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2019

NOTE 11 - LONG-TERM NOTES PAYABLE

Mortgage notes payable consist of the following at February 28, 2019:

Note payable to Iberville Bank; interest stated at 5%; due in monthly installments of \$1,605 which includes principal and interest; matures July 2033; secured by real estate	\$ 202,114
Less: Current Portion	<u>(9,935)</u>
Total Long Term Debt	<u>\$ 192,179</u>

Maturities of long-term debt are as follows:

	Principal	Interest	TOTAL
2020	\$ 9,935	9,328	\$ 19,263
2021	10,417	8,846	19,263
2022	10,923	8,340	19,263
2023	11,454	7,809	19,263
2024	12,010	7,253	19,263
Thereafter	147,375	35,431	182,806
Totals	\$ 202,114	\$ 77,007	\$ 279,121

NOTE 12 - LITIGATION

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

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

NOTE 13 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 64% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 14 - GRANT BALANCES AND GRANT CONDITIONS

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

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

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2019

NOTE 14 - GRANT BALANCES AND GRANT CONDITIONS (Continued)

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The following is a schedule by years of minimum future space rentals on non-cancelable operating leases as of February 28, 2019.

Year Ending February 28:

	<u>Amount</u>
2020	\$ 72,000
2021	72,000
2022	<u>36,000</u>
TOTALS	<u><u>180,000</u></u>

CONTINGENCIES

Investigation

In June 2016, the Office of Inspector General (HHS-OIG) together with Special Agents from the Federal Bureau of Investigation (FBI) and Investigators from the Louisiana Department of Justice Medicaid Fraud Control Unit (MFCU) began an investigation of employees of St. Gabriel Health Clinic, Inc. based on evidence that these employees engaged in violations of federal law, specifically Title 18, United States Code, Sections 1347 (Health Care Fraud) and 1349 (Conspiracy to Commit Health Care Fraud). As part of this investigation, records were seized from St. Gabriel Health Center in June 2016. In June 2018, a federal grand jury returned an indictment against a former employee related to this investigation and in March 2019, the former employee pleaded guilty to one count of health fraud. The investigation is still ongoing as of the completion of this audit and no final resolution has been provided to the Center.

NOTE 16 - SUMMARIZED 2018 FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Prior-year information is not provided for the notes to financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended February 28, 2018, from which the summarized information was derived.

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to the Financial Statements  
February 28, 2019

NOTE 17 - LIQUIDITY AND AVAILABILITY

The Organization strives to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following table reflects the Organization's financial assets as of February 28, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. The net assets with donor restrictions at February 28, 2019 are noted below.

Financial assets comprise the following at February 28:

	2019
Patient care receivables, net	\$ 155,179
Grants Receivable	<u>100,000</u>
Total financial assets	255,179
Less: financial assets with donor restrictions	<u>(100,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>155,179</u></u>

NOTE 18 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 5, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

SCHEDULE A

ST. GABRIEL HEALTH CLINIC, INC.  
 Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer  
 For the Year Ended February 28, 2019

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

Category	Amount	Total
Salary	\$ 134,992	
Total salary		\$ 134,992
Benefits:		
Health insurance	6,000	
Car allowance	4,800	
Cell phone/home office allowance	1,862	
Continuing education	426	
Total benefits		13,088
Travel and other:		
Conference	2,660	
Per diem/meals	424	
Registration	656	
Other (Supplies)	251	
Total travel		3,991
Total Compensation, Benefits, Travel, and Other Expenses		\$ 152,071

SCHEDULE B

ST. GABRIEL HEALTH CLINIC, INC.  
 Schedule of Health Care Services Expenses  
 For the Year Ended February 28, 2019

EXPENSES

Personnel	\$	910,428
Fringe benefits		158,778
Travel		1,287
Supplies		100,299
Contractual		116,010
Dues and subscriptions		10,225
Printing		4,818
Repairs and maintenance		12,517
Utilities		6,015
Continuing education		656
Communications		38,152
Janitorial		7,200
Space cost		78,000
Disposal services		<u>10,980</u>
Total Expenses	\$	<u>1,455,365</u>

SCHEDULE C

ST. GABRIEL HEALTH CLINIC, INC.  
 Schedule of Management and General Expenses  
 For the Year Ended February 28, 2019

EXPENSES

Personnel	\$ 254,916
Fringe benefits	(66)
Travel	21,710
Supplies	43,468
Contractual	36,362
Legal and accounting	226,129
Dues and subscriptions	9,048
Repairs and maintenance	39,633
Insurance	29,027
Staff recruitment	442
Utilities	8,420
Continuing education	5,711
Communications	442
License, taxes and fees	7,290
Janitorial	8,585
Space cost	1,864
Interest	10,766
Bank and finance charges	2,166
Moving expenses	5,513
Board expenses	3,425
Other	<u>49,328</u>
Total Expenses	<u>\$ 764,179</u>

ST. GABRIEL HEALTH CLINIC, INC.  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended February 28, 2019

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Grants:			
Health Care Centers Cluster			
Consolidated Health Centers	93.224	H80CS00551	\$ 269,768
Affordable Care Act Grants for New and Expanded Services Under the Health Care Program	93.527	H80CS00551	<u>984,804</u>
Total Health Centers Cluster			<u>1,254,572</u>
Direct Program:			
School Based Health Center Capital Program	93.501	1C12CS32595-01-00	<u>40,000</u>
			<u>40,000</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,294,572</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,294,572</u>

ST. GABRIEL HEALTH CLINIC, INC.  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended February 28, 2019

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of St. Gabriel Health Clinic, Inc. under programs of the federal government for the year ended February 28, 2019. The information in this Schedule is presented in accordance with the requirement of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of St. Gabriel Health Clinic, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of St. Gabriel Health Clinic, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

INDIRECT COST RATE

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Gabriel Health Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of February 28, 2019, and the related statements of operations and changes in net assets, 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 August 5, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Brow, Emig & Co.*

Ridgeland, Mississippi  
August 5, 2019



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

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

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, St. Gabriel Health Clinic, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2019.

## Report on Internal Control Over Compliance

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

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

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

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.

*Brown, Emig & Co*  
Ridgeland, Mississippi  
August 5, 2019

ST. GABRIEL HEALTH CLINIC, INC.  
Summary Schedule of Prior Audit Findings  
Year Ended February 28, 2019

**Finding 2018-1**

**Condition:** During our test of sliding fee patients, we noted three (3) instances out of 40 patient files reviewed in which there was no proof of income maintained in patient files.

**Status:** Corrected

ST. GABRIEL HEALTH CLINIC, INC.  
 Schedule of Findings and Questioned Costs  
 Year Ended February 28, 2019

Section 1: Summary of Auditor's Results

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

Federal Awards:

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

7. Federal programs identified as major programs:

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

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

Section 2 - Findings - Financial Statements Audit

NONE

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

NONE



**ST. GABRIEL HEALTH CLINIC, INC.**  
**AGREED UPON PROCEDURES REPORT**  
**FOR THE YEAR ENDED FEBRUARY 28, 2019**



**BROWN, EWING & CO.**  
P. A.  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by St. Gabriel Health Clinic, Inc. 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. The Entity's management 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 findings are as follows:

**Bank Reconciliations**

1. Obtain a listing of client 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 and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

**Management of St. Gabriel Health Clinic, Inc. provided a listing with six bank accounts, along with management's representation that the listing was complete. We selected the main operating account and four additional accounts to review their bank reconciliations.**

Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);

**We reviewed the five selected bank reconciliations and noted they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged).**

Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

**We reviewed the five selected bank reconciliations and noted the bank reconciliations were reviewed by the CEO, who does not handle cash, post ledgers, or issue checks. The CEO initialed and dated the bank reconciliations as being a reviewer.**

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.

**We reviewed the five selected bank reconciliations and noted there were no outstanding reconciling items more than 12 months from the statement closing date.**

**Other**

31. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

**We observed that the entity had posted on its premises the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. The entity currently does not have a website.**

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 testing performed on those C/C areas identified in the SAUPs, and the result of that testing, 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

*Brown, Ewing & Co.*  
Ridgeland, Mississippi  
August 5, 2019