

**SOUTHEAST COMMUNITY HEALTH SYSTEMS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Southeast Community Health Systems  
Zachary, LA

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

We have audited the accompanying financial statements of Southeast Community Health Systems (a non-profit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities and changes in net assets, functional expenses, and 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 the 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 audit. 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 *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 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 Southeast Community Health Systems as of December 31, 2020 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.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Compensation, Benefits, and Other Payments to the CEO, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2021 on our consideration of Southeast Community Health Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Southeast Community Health System'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 Southeast Community Health Systems' internal control over financial reporting and compliance.



Daigrepont & Brian, APAC  
Baton Rouge, LA

August 18, 2021

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020**

ASSETS

Current Assets

Cash	\$ 2,694,595
Patient receivables, net	725,940
Grants receivable	518,433
Inventory	186,300
Prepaid expenses	115,142
Other	19,876
Total Current Assets	<u>4,260,286</u>

Property and Equipment, net 8,776,229

Other Assets

Goodwill	131,450
Loan origination costs, net	45,310
Total Other Assets	<u>176,760</u>

Total Assets \$ 13,213,275

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 262,897
Accrued expenses	271,656
Deferred revenue	470,501
Current portion of PPP loan	249,167
Current portion of notes payable	181,564
Total Current Liabilities	<u>1,435,785</u>

Long Term Liabilities

PPP loan, net of current portion	100,133
Long term debt, net of current portion	1,825,375
Total Long Term Liabilities	<u>1,925,508</u>

Total Liabilities 3,361,293

Net Assets Without Donor Restrictions 9,851,982

Total Liabilities and Net Assets \$ 13,213,275

See accompanying notes and independent auditors' report.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

REVENUES

Net patient revenue	\$ 4,452,460
Federal grants	6,297,332
Other grants	370,652
Other income	<u>188,734</u>
Total Revenues	11,309,178

EXPENSES

Program services	9,205,832
Management and general	<u>2,781,764</u>
Total Expenses	<u>11,987,596</u>

CHANGE IN NET ASSETS (678,418)

Net assets - beginning of year	<u>10,530,400</u>
Net assets - end of year	<u>\$ 9,851,982</u>

See accompanying notes and independent auditors' report.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services	Management & General	Total
Salaries and related expenses			
Salaries	\$ 6,056,541	\$ 656,917	\$ 6,713,458
Employee fringe benefits	479,324	96,868	576,192
Payroll taxes	420,734	38,597	459,331
Total salaries and related expenses	6,956,599	792,382	7,748,981
General expenses			
Advertising	17,404	52,002	69,406
Amortization	-	4,529	4,529
Bad debts	1,009,504	-	1,009,504
Bank charges	-	12,599	12,599
Conferences and meetings	-	3,957	3,957
Depreciation	122,405	161,258	283,663
Dues and subscriptions	-	36,540	36,540
Insurance	-	96,370	96,370
Interest	-	150,837	150,837
Miscellaneous	-	1,475	1,475
Postage	-	4,804	4,804
Professional fees	19,993	864,013	884,006
Rent	82,648	108,379	191,027
Repairs and maintenance	38,389	130,312	168,701
Supplies	885,879	132,267	1,018,146
Taxes and licenses	-	3,573	3,573
Telephone	19,670	110,315	129,985
Travel	-	62,811	62,811
Utilities	53,341	53,341	106,682
Total general expenses	2,249,233	1,989,382	4,238,615
Total expenses	<u>\$ 9,205,832</u>	<u>\$ 2,781,764</u>	<u>\$ 11,987,596</u>

See accompanying notes and independent auditors' report.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (678,418)
<u>Adjustments to reconcile net expenses over revenues to net cash provided by operating activities:</u>	
Depreciation	283,663
Amortization	4,529
Change in allowance for doubtful accounts	284,028
Decrease in patient receivables, net	165,153
Increase in grant receivables	(124,431)
Increase in prepaid expenses	(4,388)
Increase in inventory	(110,543)
Decrease in certificates of deposit	2,273,706
Increase in other assets	(1,366)
Decrease in accounts payable	(148,023)
Decrease in accrued expenses	(179,655)
Increase in deferred revenue	470,501
Total adjustments	<u>2,913,174</u>
Net cash provided by operating activities	2,234,756

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	<u>(1,720,428)</u>
Net cash used in investing activities	(1,720,428)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on long term debt	(614,547)
Payments on line of credit	(1,435,000)
Draws on line of credit	1,435,000
Proceeds from the issuance of PPP loan	<u>349,300</u>
Net cash used in financing activities	<u>(265,247)</u>

INCREASE IN CASH	249,081
CASH, BEGINNING OF YEAR	<u>2,445,514</u>
CASH, END OF YEAR	<u>\$ 2,694,595</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
Cash paid for interest during the year	<u>\$ 150,837</u>

See accompanying notes and independent auditors' report.



**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies

Organization

Southeast Community Health Systems (SCHS) is a Federally Qualified Health Center that is federally and state funded to provide primary and preventative health care in communities across southeast Louisiana. SCHS operates 7 clinics in Zachary, Greensburg, Kentwood, Hammond, Independence, and Baton Rouge that offer medical, dental, OB/GYN, podiatry and behavioral health services, which include mental health counseling and substance abuse treatment and services. SCHS also operates 13 school-based health centers and a mobile medical unit that covers the organization's service area of East Baton Rouge, Livingston, St. Helena, and Tangipahoa parishes.

The mission of SCHS is to provide quality, affordable healthcare to all patients in underserved areas, and to improve the health and wellness of the communities we serve.

Basis of Accounting

The financial statements of SCHS have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Revenues

*Grant and Contracts*

SCHS receives a significant portion of its revenue from Federal agencies. SCHS recognizes contract revenue (up to contract ceiling) from its contracts either on a pro-rata basis over the contract life or to the extent of expenses. Revenue recognition depends on the contract. Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by SCHS with the terms of the grant/contract.

The majority of the Federal funds come from the United States Department of Health and Human Services (DHHS) through the Health Resources and Services Administration as part of the Consolidated Health Centers Program (CHCP). Compliance is required based on the terms and conditions of the grant agreements, and DHHS may, at its discretion, request reimbursement for expense or the return of funds not expended, or both, based on non-compliance with the these terms.

*Net Patient Revenue*

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers (including Medicare and Medicaid), 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. It is reasonably possible that these estimates could change in the near term.

The Center has a sliding fee plan for patients without any third party payers and whose income level fall within the sliding fee guidelines. The sliding fee plan is based on the federal poverty guidelines.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies (continued)

Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's (FASB) Accounting Standard Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, SCHS is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets that are not subject to donor-imposed restrictions and are available for use at the organization's discretion.

*Net Assets With Donor Restrictions*

Net assets subject to donor-imposed restrictions that may or will be met by either actions of the organization or the passage of time. Once the restrictions are met, they are reclassified to net assets without donor restrictions.

Cash

Cash consists of bank deposits held with financial institutions.

Subsequent Events

In preparing these financial statements SCHS has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which is August 18, 2021.

Patient Receivables and Allowance for Uncollectible Accounts

SCHS extends credit to patients, as well as third party intermediaries. Patient receivables are generally carried at the original billed amount less contractual adjustments and the allowance for uncollectible accounts. This allowance is based on management's estimates, historical experience and a review of all outstanding amounts on an ongoing basis. For the year ended December 31, 2020 the allowance for doubtful accounts was \$875,228. Patient receivables are written-off when deemed uncollectible and recoveries, if any, are recorded when received.

Inventories of Supplies

Inventories of office supplies, medical supplies, and drugs are stated at the lower of cost or market.

Goodwill

Goodwill represents the excess of the cost of purchased clinics and physician practices over the fair value of the net assets at the date of acquisition. In accordance with generally accepted accounting principles goodwill having indefinite lives will no longer be amortized. Instead, goodwill is tested annually for impairment. During the year there were no additions to goodwill.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies (continued)

Functional Expenses

SCHS allocates its expenses on a functional basis between program service or management and general. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification. Other expenses are allocated between programs and supporting services based on management's best estimate of time, percentage, or square footage used.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

SCHS accounts for income taxes in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits.

SCHS is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is no longer subject to federal information return examinations by tax authorities for years before 2017.

Advertising Costs

The Center expenses its advertising costs as they are incurred. Total advertising costs for the year ended December 31, 2020 were \$69,406.

2. Concentrations

SCHS receives approximately 56% of its operating revenue from the U.S. Department of Health and Human Services with 88% of the grants receivable being related to this source of revenue.

Net patient revenue represents approximately 39% of total revenue. SCHS grants credit without collateral to its patients, most of whom are local residents that may or may not be insured by a third-party payer. Revenue and receivables related to net patient revenue are as follows.

	<u>Revenue</u>	<u>Receivables</u>
Medicare	17%	25%
Medicaid	65%	51%
Private pay and other	18%	24%

Financial instruments, which potentially subject SCHS to concentrations of credit risk consist of cash deposits held with local banks. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. SCHS maintains cash in local and regional financial institutions which often exceed the FDIC limits. Management does not believe that it is exposed to any significant credit risk on uninsured amounts.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

3. Property and Equipment

Property and equipment is presented in the financial statements at cost less allowances for depreciation. Depreciation is computed using the straight-line method and is provided over the estimated useful lives of the assets which ranges from 5 to 39 years.

SCHS receives funding under Section 330 of the Public Health Services Act with various restrictions placed on items obtained with these funds. According to the Public Health Service grants Policy Statement, title to real and tangible property shall rest in the grantee upon acquisition, subject to the accountability requirements and the Public Health Service’s right to transfer title.

The following is a summary of property and equipment at December 31, 2020:

Land	\$ 851,224
Buildings	9,182,190
Furniture and fixtures	271,369
Office equipment	1,167,898
Medical equipment	1,511,633
Vehicles	309,268
	<u>13,293,582</u>
Less: Accumulated depreciation	<u>(4,517,353)</u>
	<u>\$ 8,776,229</u>
Depreciation expense	<u>\$ 283,663</u>

4. Economic Dependency

SCHS receives a significant portion of its revenue from funds provided by the U.S. Department of Health and Human Services Community Health Center Program. All funds received under the grant are federal funds and are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of funds received by SCHS could be reduced by an amount that could adversely impact its operations. Management is not aware of any actions that have been taken or are proposed to be taken by the federal government that will adversely impact the SCHS grant for the coming fiscal year.

5. Commitments and Contingencies

*Funding*

SCHS receives federal and state funding for specific purposes that is subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant.

It is the opinion of management that its compliance with the terms of the grant will result in negligible, if any, disallowed costs in the future. No provision has been recorded in the accompanying financial statements for such contingencies.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

5. Commitments and Contingencies (Continued)

*Risk Management*

SCHS is involved in various claims and legal actions in the normal course of business. SCHS has medical malpractice insurance that is covered by the Federal Tort Claims Act. After consultation with legal counsel, management estimates that any pending legal matters will be resolved without material adverse effect on the financial position of SCHS.

6. Notes Payable

**Conventional Debt**

A note dated December 2010, with an original balance of \$3,650,750 due in 120 monthly installments. The principal portion is amortized over 10 years. Each installment, beginning December 2011, includes a principal portion of \$15,212 plus monthly interest at a variable rate. At December 31, 2020 the rate is 2.56%. The note is secured by buildings, land, and all deposit accounts. Management is currently in negotiations to refinance this loan for another 120 months. Terms are expected to be similar to that of the original note. The balance at December 31, 2020 is \$2,006,939

A note dated December 2015, with an original balance of \$72,249 due in 60 monthly installments of \$1,477 with an interest rate of 8.33%. This note was secured by equipment and was paid off during the fiscal year.

A line of credit dated December 2019, with an available balance of \$1,850,000 which matured December 2020 had an interest rate of 3.36%. This note was secured by a Certificate of Deposit. This note was paid off during the fiscal year.

**PPP Loan**

During fiscal year 2020 SCHS received a Payroll Protection Program (PPP) loan from the SBA in the amount of \$349,300. The purpose of this loan is to maintain payroll and other operating expenses during the COVID-19 pandemic. The terms of the loan allow for the amount to be forgiven in full if the funds are used for payroll and certain operating expenses. As of December 31, 2020 the loan has not been forgiven.

Long-term debt obligations mature in years ended December 31 are as follows:

2021	\$ 430,731
2022	283,239
2023	187,849
2024	192,715
2025	197,707
Thereafter	1,063,998
	<u>\$ 2,356,239</u>

Total interest charged to expense for the year ended December 31, 2020 was \$150,837.

SCHS has an available line of credit with a bank in the amount of \$400,000 and an interest rate of 4.85%. There were no amounts outstanding on the line of credit at December 31, 2020. This line of credit was suspended in January 2021.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

7. Loan Origination Costs

Loan origination costs in the amount of \$86,193 were incurred in connection with the note payable from December 2010 as noted above. These costs are being amortized over the life of the loan. Accumulated amortization and amortization expense as of and for the year ended December 31, 2020 was \$40,883 and \$4,529, respectively.

8. Retirement Plan

SCHS sponsors a 403 (b) tax-sheltered annuity plan, which covers substantially all of its employees who meet eligibility requirements. Eligible employees are allowed to contribute, on a tax-deferred basis, a portion of their compensation, up to federally designated limits. SCHS matches 100% of employee contributions up to a maximum of 5% of the employee's annual salary. Employees are vested in the plan at 25% after one year, 50% after two years, 75% after three years and 100% after four years. The Center's contributions to the plan for the year ended December 31, 2020 amounted to \$194,536.

9. Leases and Rent

SCHS leases a physician office building under a non-cancelable operating lease. The lease was renewed on September 30, 2019 until September 30, 2022. The lease calls for annual increases of 3% or the annual increase in the Consumer Price Index, whichever is greater.

Future minimum lease obligations in years ended December 31 are as follows:

2021	\$ 100,928
2022	<u>77,387</u>
	<u>\$ 178,315</u>

SCHS entered into a lease agreement on January 1, 2020 to operate a pharmacy building for 6 months at a rate of \$4,000 a month. Effective July 1, 2020 the agreement transitioned to a month-by-month basis at at rate of \$6,000 a month.

Total lease payments for the year ended December 31, 2020 was \$191,027.

10. Liquidity and Availability of Financial Assets

The following reflects SCHS's financial assets available within one year of the statement of financial position date.

Financial Assets at Year End:

Cash	\$ 2,694,595
Patient receivables, net	725,940
Grant receivables	<u>518,433</u>
Financial Assets Available for General Expenditures	<u>\$ 3,938,968</u>

As part of SCHS's liquidity management cash is kept in various checking and savings accounts that can be accessed to meet daily needs of the organization.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

11. Compensated Absences

Employees of SCHS had \$100,578 vested in accrued vacation pay at December 31, 2020.

12. Prior Period Adjustment

An error resulting in the misstatement of financial statement categories as presented below in the December 31, 2019 financial statements were identified during the current year. The error was related to an understatement of change in net assets and patient receivables, net due to the omission of fiscal year 2019 net patient revenue. The effect of the restatement on the financial statements as of and for the year ended December 31, 2019 are summarized below:

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>Dec. 31, 2019 As Restated</u>
Patient receivables, net	\$ 774,611	\$ 400,510	\$ 1,175,121
Net assets without donor restrictions	\$ 10,129,890	\$ 400,510	\$ 10,530,400
Net patient revenue	\$ 4,982,095	\$ 400,510	\$ 5,382,605

13. Reclassification

Certain amounts included in the prior year financial statements have been reclassified to confirm to the current year presentation.

14. Deferred Revenue

During June 2020 SCHS was awarded \$940,005 in Provider Relief Funds from the U.S. Department of Health and Human Services. These funds are to be used to prevent, prepare for, and respond to COVID-19. SCHS recognizes these funds evenly on a 12 month basis as the organization incurs cost associated with this purpose. As of and for the year ended December 31, 2020, \$470,503 and \$470,501 has been recognized as revenue and deferred revenue, respectively.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Federal Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditure</u>
<b>U.S. Department of Health and Human Services</b>			
Health Center Program	93.224	N/A	\$ 4,574,393
Health Center Program - CARES Act H8D	93.224	N/A	730,760
Health Center Program - CARES Act H8C	93.224	N/A	60,164
Provider Relief Fund	93.498	N/A	<u>470,503</u>
<b>Total U.S. Department of Health and Human Services</b>			5,835,820
<b>Federal Communications Commission</b>			
COVID-19 Telehealth Program	32.006	N/A	<u>461,512</u>
<b>Total Federal Communications Commission</b>			<u>461,512</u>
<b>Total expenditures of federal awards</b>			<u><u>\$ 6,297,332</u></u>



**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Southeast Community Health Systems (SCHS) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* . Because the Schedule presents only a selected portion of the operations of SCHS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of SCHS.

2. 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations* , wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

SCHS has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
SCHEDULE OF COMPENSATION, BENEFITS, AND  
OTHER PAYMENTS TO CEO FROM PUBLIC FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Chief Executive Officer: Alecia Cyprian, Ph.D.

*No compensation, benefits, or other payments paid from public funds*

# DAIGREPONT & BRIAN

*A Professional Accounting Corporation*

*Certified Public Accountants*

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

To the Board of Directors  
Southeast Community Health Systems  
Zachary, LA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southeast Community Health Systems, (a non-profit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities and changes in net assets, statement of 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 18, 2021.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southeast Community Health Systems' 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 Southeast Community Health Systems' internal control. Accordingly, we do not express an opinion on the effectiveness of the organization'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 the 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 Southeast Community Health Systems' 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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document. This report is intended solely for the information and use of the audit committee, management, others within the organization, the Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepoint & Brian, APAC  
Baton Rouge, LA

August 18, 2021



# DAIGREPONT & BRIAN

*A Professional Accounting Corporation*

*Certified Public Accountants*

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

To the Board of Directors  
Southeast Community Health Systems  
Zachary, LA

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

We have audited Southeast Community Health Systems' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southeast Community Health Systems' major federal programs for the year ended December 31, 2020. Southeast Community Health Systems' 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 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 Southeast Community Health Systems' 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 Southeast Community Health Systems' 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 Southeast Community Health Systems' compliance.

### ***Opinion***

In our opinion, Southeast Community Health Systems complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs

## Report on

Management of Southeast Community Health Systems 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 Southeast Community Health Systems' 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 our 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 Southeast Community Health Systems' 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.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepont & Brian, APAC  
Baton Rouge, LA

August 18, 2021

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

We have audited the financial statements of Southeast Community Health Systems, as of December 31, 2020, and for the year then ended, and have issued our report thereon dated August 18, 2021. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Uniform Guidance. Our audit of the financial statements as of December 31, 2020 resulted in an unmodified opinion.

**Summary of Auditors' Reports**

**A. Report on Internal Control and Compliance Material to the Financial Statements**

Internal Control			
Material Weaknesses	Yes	_____	No <u>  X  </u>
Significant Deficiencies	Yes	_____	No <u>  X  </u>
Compliance			
Compliance Material to Financial Statements	Yes	_____	No <u>  X  </u>

**B. Federal Awards**

Internal Control			
Material Weaknesses	Yes	_____	No <u>  X  </u>
Significant Deficiencies	Yes	_____	No <u>  X  </u>
Type of Opinion on Compliance for Major Programs	<u>Unmodified</u>		
Are there findings required to be reported in accordance with the Uniform Guidance	Yes	_____	No <u>  X  </u>
Was there a management letter issued	Yes	_____	No <u>  X  </u>

**C. Identification of Major Programs**

CFDA Number(s)	Name of Federal Program or Cluster
93.224	Dept. of Health and Human Services - Health Center Program
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>
Is the auditee a 'low risk' auditee as defined by the Uniform Guidance	Yes <u>  X  </u> No _____

**Findings - Financial Statement Audit**

There are no findings for the year ended December 31, 2020.

**Questioned Costs**

There are no questioned costs for the year ended December 31, 2020.

**SOUTHEAST COMMUNITY HEALTH SYSTEMS  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Summary of Prior Audit Findings**

There were no prior year audit findings or questioned costs.