

Innis Community Health Center, Inc.
Batchelor, Louisiana
October 31, 2017

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

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Brittany B. Thames, CPA

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innis Community Health Center, Inc. as of October 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

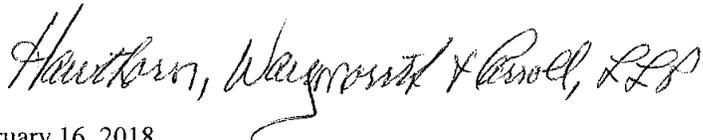
Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018 on our consideration of Innis Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innis Community Health Center, Inc.'s internal control over financial reporting and compliance.



February 16, 2018

Innis Community Health Center, Inc.
Statements of Financial Position
October 31, 2017 and 2016

Assets	2017	2016
Current Assets		
Cash and cash equivalents	\$ 1,177,201	\$ 687,191
Certificates of deposit	360,814	60,000
Patient accounts receivable, net	400,339	411,669
Grant funds receivable	214,594	83,773
Other receivables	144,826	1,050
Prepaid expenses	40,706	32,063
Total current assets	2,338,480	1,275,746
Property and Equipment, net	1,925,460	1,101,415
Other Assets	896	810
Total assets	\$ 4,264,836	\$ 2,377,971
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 183,384	\$ 70,806
Accrued liabilities	307,709	185,088
Current portion of note payable	8,544	-
Total current liabilities	499,637	255,894
Note Payable, less current portion	192,512	-
Unrestricted Net Assets	3,572,687	2,122,077
Total liabilities and net assets	\$ 4,264,836	\$ 2,377,971

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

Innis Community Health Center, Inc.
Statements of Activities
Years Ended October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue and Other Support		
Patient service revenue, net	\$ 2,739,674	\$ 2,229,305
Provision for bad debts	(49,809)	(367,474)
	<hr/>	<hr/>
Net patient service revenue, less provision for bad debts	2,689,865	1,861,831
Federal grants	3,432,072	2,782,954
State and other grants	128,723	128,723
Pharmacy revenue	776,839	-
Other revenue	222,446	101,461
	<hr/>	<hr/>
Total revenue and other support	7,249,945	4,874,969
	<hr/>	<hr/>
Expenses		
Program		
Medical	3,450,543	2,146,692
Dental	1,049,022	810,291
	<hr/>	<hr/>
Total program	4,499,565	2,956,983
Management and general	1,299,770	1,364,638
	<hr/>	<hr/>
Total expenses	5,799,335	4,321,621
	<hr/>	<hr/>
Change in Unrestricted Net Assets	1,450,610	553,348
Unrestricted Net Assets, beginning of year	2,122,077	1,568,729
	<hr/>	<hr/>
Unrestricted Net Assets, end of year	<u>\$ 3,572,687</u>	<u>\$ 2,122,077</u>

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

Innis Community Health Center, Inc.
Statement of Functional Expenses
Year Ended October 31, 2017

	<u>Medical</u>	<u>Dental</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Billing and information systems	\$ 159,072	\$ 79,536	\$ 238,608	\$ 79,535	\$ 318,143
Depreciation and amortization	59,870	29,935	89,805	29,934	119,739
Dues and subscriptions	10,293	6,176	16,469	24,703	41,172
Employee benefits	132,595	33,675	166,270	44,199	210,469
Insurance	13,872	13,872	27,744	27,743	55,487
Interest	-	-	-	855	855
Licenses and fees	-	-	-	10,180	10,180
Medical supplies	482,886	160,962	643,848	-	643,848
Meetings and conferences	-	-	-	5,353	5,353
Miscellaneous	-	-	-	6,213	6,213
Occupancy and other rents	106,550	56,409	162,959	150,424	313,383
Office	14,724	29,450	44,174	53,991	98,165
Payroll taxes	147,454	37,449	184,903	49,151	234,054
Professional fees	80,838	-	80,838	29,356	110,194
Purchased services	90,736	51,595	142,331	35,582	177,913
Salaries and wages	2,118,923	549,963	2,668,886	719,822	3,388,708
Travel	32,730	-	32,730	32,729	65,459
	<u>\$3,450,543</u>	<u>\$ 1,049,022</u>	<u>\$4,499,565</u>	<u>\$ 1,299,770</u>	<u>\$ 5,799,335</u>

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

Innis Community Health Center, Inc.
Statement of Functional Expenses
Year Ended October 31, 2016

	<u>Medical</u>	<u>Dental</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Billing and information systems	\$ 117,998	\$ 58,999	\$ 176,997	\$ 58,999	\$ 235,996
Depreciation and amortization	30,091	52,660	82,751	24,718	107,469
Dues and subscriptions	10,232	6,139	16,371	24,556	40,927
Employee benefits	100,812	43,985	144,797	60,969	205,766
Insurance	20,017	10,409	30,426	9,608	40,034
Interest	-	-	-	85	85
Licenses and fees	-	-	-	13,777	13,777
Medical supplies	105,087	42,923	148,010	-	148,010
Meetings and conferences	-	-	-	11,099	11,099
Miscellaneous	-	-	-	2,687	2,687
Occupancy and other rents	88,476	46,840	135,316	124,907	260,223
Office	12,693	24,051	36,744	46,189	82,933
Payroll taxes	94,776	32,984	127,760	56,100	183,860
Professional fees	-	-	-	35,870	35,870
Purchased services	142,048	60,136	202,184	59,275	261,459
Salaries and wages	1,410,740	431,165	1,841,905	811,405	2,653,310
Travel	13,722	-	13,722	24,394	38,116
	<u>\$2,146,692</u>	<u>\$ 810,291</u>	<u>\$2,956,983</u>	<u>\$ 1,364,638</u>	<u>\$ 4,321,621</u>

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

Innis Community Health Center, Inc.
Statements of Cash Flows
Years Ended October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in unrestricted net assets	\$ 1,450,610	\$ 553,348
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	119,739	107,469
Gain on sale of property and equipment	(2,500)	-
Bad debt expense	49,809	169,884
(Increase) Decrease in assets:		
Accounts receivable	(38,479)	(318,366)
Prepaid expenses	(8,643)	10,775
Other receivables	(143,776)	(235)
Grant funds receivable	(130,821)	328,774
Other assets	(86)	(310)
Increase (Decrease) in liabilities:		
Accounts payable	112,578	(46,650)
Accrued expenses	122,621	13,803
Net cash provided by operating activities	<u>1,531,052</u>	<u>818,492</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(943,784)	(121,887)
Proceeds from sale of property and equipment	2,500	-
Purchase of certificates of deposit	(300,814)	-
Net cash used in investing activities	<u>(1,242,098)</u>	<u>(121,887)</u>
Cash Flows From Financing Activities		
Proceeds from note payable	201,796	-
Principal payments on note payable	(740)	-
Increase (decrease) in line of credit	-	(50,000)
Net cash provided by (used in) financing activities	<u>201,056</u>	<u>(50,000)</u>
Net Change in Cash and Cash Equivalents	<u>490,010</u>	<u>646,605</u>
Cash and Cash Equivalents, beginning of year	<u>687,191</u>	<u>40,586</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,177,201</u></u>	<u><u>\$ 687,191</u></u>

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

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2017

Note 1-Nature of Operations

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

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

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

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

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include those net assets whose use by the Center is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those assets whose use by the Center has been limited by donors to (a) later periods of time or other specific dates, or (b) specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Center's use of the asset. At October 31, 2017 and 2016, the Center had no temporarily or permanently restricted net assets.

B. Use of Estimates

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

C. Cash and Cash Equivalents

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

D. Patient Accounts Receivable

Patient accounts receivable are generally carried at the original billed amount less contractual adjustments and the allowance for doubtful accounts. The allowance is based on management's estimates, historical experience, and a review of all outstanding amounts on an ongoing basis. Patient accounts receivable are written-off when deemed uncollectible, and recoveries, if any, are recorded when received. As of October 31, 2017 and 2016, management established an allowance of \$369,287 and \$421,305, respectively.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2017

Note 2-Summary of Significant Accounting Policies (Continued)

E. Property and Equipment

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

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

F. Compensated Absences

The Center provides paid time off (PTO) for employees who meet hours worked per pay period criteria. Generally, PTO is earned on a per pay period (bi-weekly) basis ranging from 5.0 to 8.75 hours per pay period, depending on job classification and length of service. Unused PTO, up to a maximum of 300 hours at the end of the fiscal year, may be carried forward. Any unused PTO in excess of 300 hours will be forfeited if not used by September 30, of the subsequent year, unless otherwise approved by the Board.

G. Funding Source

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

H. Net Patient Service Revenue

The Center has agreements with third-party payers that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Center has a sliding fee plan for patients whose income levels fall within the sliding fee guidelines and who do not have coverage with a third-party payer.

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

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2017

Note 2-Summary of Significant Accounting Policies (Continued)

I. Functional Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

J. Income Tax Status

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

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

K. Other Revenue

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

L. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's financial statement presentation. The reclassifications had no effect on net assets or the change in net assets of the prior year.

Note 3-Certificates of Deposit

At October 31, 2017, the Center had 13 certificates of deposit totaling \$360,814. The certificates of deposit had interest rates ranging from 0.40% to 1.01% at October 31, 2017 and terms ranging from 6 months to 12 months, with penalties for early withdrawal. The Center's investment in certificates of deposit is carried at cost, which approximates fair market value.

At October 31, 2016, the Center had a certificate of deposit in the amount of \$60,000 with an interest rate of 0.88% and a term of 7 months, with penalties for early withdrawal. The investment was carried at cost, which approximated fair market value.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2017

Note 4-Property and Equipment

Property and equipment activity is summarized as follows as of October 31, 2017 and 2016:

	<u>October 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2017</u>
Construction in progress	\$ -	\$ 539,232	\$ -	\$ 539,232
Land	75,935	-	-	75,935
Office equipment	327,568	63,250	(35,795)	355,023
Furniture and fixtures	12,188	-	-	12,188
Medical and dental equipment	319,774	85,029	-	404,803
Vehicles	338,308	-	(18,603)	319,705
Building and helipad	877,638	256,273	-	1,133,911
Electronic medical records	36,631	-	-	36,631
Leasehold improvements	203,804	-	-	203,804
Total property and equipment	<u>2,191,846</u>	<u>943,784</u>	<u>(54,398)</u>	<u>3,081,232</u>
Less: accumulated depreciation and amortization	<u>(1,090,431)</u>	<u>(119,739)</u>	<u>54,398</u>	<u>(1,155,772)</u>
Total property and equipment, net	<u>\$ 1,101,415</u>	<u>\$ 824,045</u>	<u>\$ -</u>	<u>\$1,925,460</u>

	<u>October 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2016</u>
Land	\$ 75,935	\$ -	\$ -	\$ 75,935
Office equipment	260,021	67,547	-	327,568
Furniture and fixtures	12,188	-	-	12,188
Medical and dental equipment	276,934	42,840	-	319,774
Vehicles	333,308	5,000	-	338,308
Building and helipad	877,638	-	-	877,638
Electronic medical records	36,631	-	-	36,631
Leasehold improvements	197,304	6,500	-	203,804
Total property and equipment	<u>2,069,959</u>	<u>121,887</u>	<u>-</u>	<u>2,191,846</u>
Less: accumulated depreciation and amortization	<u>(982,962)</u>	<u>(107,469)</u>	<u>-</u>	<u>(1,090,431)</u>
Total property and equipment, net	<u>\$ 1,086,997</u>	<u>\$ 14,418</u>	<u>\$ -</u>	<u>\$1,101,415</u>

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2017

Note 5-Note Payable

Note payable due to a bank maturing on October 2, 2022 bearing interest at 4.987% with an outstanding balance of \$201,056 at October 31, 2017. The note payable is collateralized by a building. There is a balloon payment due of \$152,015 on October 2, 2022. The future maturities on the note payable for each of the next five fiscal years are as follows:

	<u>Amount</u>
2018	\$ 8,544
2019	9,758
2020	10,230
2021	10,777
2022	<u>161,747</u>
	<u>\$201,056</u>

Note 6-Related Party Transactions

The Center paid rent to Pointe Coupee General Hospital, an entity related through common board members, in the amount of \$20,800 and \$18,000 for the years ended October 31, 2017 and 2016, respectively.

The Center recognized \$47,641 for the year ended October 31, 2017 in net pharmacy revenue from a pharmacy owned by the daughter of a board member. The entire amount recognized was outstanding at year-end and is included in other receivables on the statements of financial position.

Note 7-Legal Proceedings

The Center is involved in various lawsuits of which the outcome is not determinable. Management has judged the assertions and plans to vigorously defend against all claims.

Note 8-Operating Leases

The Center leases equipment and facilities under operating leases. Total rental expense included in occupancy and other rents in 2017 and 2016 were \$69,789 and \$65,353, respectively.

The Center has a noncancelable lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in Innis, Louisiana, with payments of \$1,000 per month terminating on June 30, 2024.

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

The Center has a noncancelable lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in Maringouin, Louisiana, with payments of \$2,428 per month, terminating on November 30, 2018.

The Center has a cancelable lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in New Roads, Louisiana with payments of \$800 per month, terminating on January 1, 2023.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2017

Note 8-Operating Leases (Continued)

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

	<u>Amount</u>
2018	\$ 41,136
2019	14,428
2020	12,000
2021	12,000
2022	12,000

Note 9-Concentrations

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Revenues from patients and third-party payers as of October 31, 2017 and 2016 were as follows:

<u>Payer</u>	<u>Percent</u>	
	<u>2017</u>	<u>2016</u>
Medicaid	52%	45%
Medicare	10%	9%
Sliding fee/ private pay	10%	15%
Third-party payers	<u>28%</u>	<u>31%</u>
Total	<u>100%</u>	<u>100%</u>

Additionally, 47% and 57% of the Center's total unrestricted revenue and support was provided by the U.S. Department of Health and Human Services during the fiscal years ended October 31, 2017 and 2016, respectively.

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

Note 10-Tax Deferred Annuity Plan

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

The Center also participates in an employer contribution plan (pension plan). Employees hired after July 1, 2003 are entitled to participate in the employer contribution plan upon completion of one year of service working for the Center. Employees are vested after 3 years of employment, and may withdraw the employer's contributions to their account upon resignation or termination. The Center contributes on behalf of employees at a rate of 2% to 3% of gross salary. Employees receive 3% contributions upon 5 full years of service for the Center. The Center's contributions for 2017 and 2016 were \$44,918 and \$27,275, respectively.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2017

Note 11-Laws and Regulations

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

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

Note 12-Board of Directors Compensation

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

Note 13-Commitments

Commitments related to the construction of a new expansion clinic in Livonia, Louisiana totaled \$304,100 at October 31, 2017.

Note 14-Subsequent Events

Innis Community Health Center, Inc. has evaluated all subsequent events through February 16, 2018, the date the financial statements were available to be issued. As a result, the Center noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information

**Innis Community Health Center, Inc.
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended October 31, 2017**

Agency Head Name: Cindy Peavy, Executive Director

Purpose	Amount
Salary	\$117,415
Benefits - insurance	4,229
Benefits - retirement	2,348
Benefits - cell phone	—
Car allowance	—
Vehicle provided by agency	—
Per diem	—
Reimbursements	1,559
Travel	2,276
Registration fees	575
Conference travel	2,352
Continuing professional education fees	—
Housing	—
Unvouchered expenses	—
Meals	—



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

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Brittany B. Thames, CPA

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Hewitson, Wainwright & Carroll, LLP

February 16, 2018



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

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

Report on Compliance for Each Major Federal Program

We have audited Innis Community Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Innis Community Health Center, Inc.'s major federal programs for the year ended October 31, 2017. Innis Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Innis Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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



February 16, 2018

Innis Community Health Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended October 31, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services		
Health Centers Cluster*		
Consolidated Health Centers	93.224	\$ 656,250
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	<u>2,073,241</u>
Total Health Centers Cluster		2,729,491
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	189,230
Grants for Capital Development in Health Centers	93.526	<u>513,351</u>
Total Expenditures of Federal Awards		<u>\$3,432,072</u>

* Denotes major programs

The accompanying notes are an integral part of this schedule.

Innis Community Health Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended October 31, 2017

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Innis Community Health Center, Inc. under programs of the federal government for the year ended October 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Innis Community Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Innis Community Health Center, Inc.

Note 2-Summary of Significant Accounting Principles

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

Note 3-Loans and Loan Guarantee Programs

Innis Community Health Center, Inc. had no loans or loan guarantee programs outstanding as of October 31, 2017 for those loans described in 2 CFR 200.502(b).

Note 4-Indirect Cost Rate

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

Note 5-Subrecipients

Innis Community Health Center, Inc. did not pass-through any of its federal awards to a subrecipient during the year ended October 31, 2017.

Note 6-Non-Cash Assistance

No federal awards were expended in the form of non-cash assistance during the year ended October 31, 2017.

Innis Community Health Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended October 31, 2017

Section I – Summary of Auditor’s Results

Financial Statements

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

Unmodified

Internal control over financial reporting

* Material weakness(es) identified?

_____ Yes X No

* Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs

* Material weakness(es) identified?

_____ Yes X No

* Significant deficiency(ies) identified?

_____ Yes X None reported

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

Unmodified

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

_____ Yes X No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Federal Program or Cluster</u>
93.224/93.527	Health Centers Cluster

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

Auditee qualified as low-risk auditee:

_____ Yes X No

Innis Community Health Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended October 31, 2017

Section II – Financial Statement Findings

- 1) No financial statement findings were noted.
- 2) A management letter was not issued.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.

Innis Community Health Center, Inc.
Schedule of Prior Year Findings and Questioned Costs
Year Ended October 31, 2017

Section II - Financial Statement Findings

- 1) No financial statement findings were noted.
- 2) A management letter was not issued.

Section III – Federal Award Findings

2016-001: Improper Patient Charges
CFDA 93.224/93.527: Health Centers Cluster

Condition:

The Center billed certain patient charges using an inaccurate CPT code.

Auditor's Recommendation:

Management should educate staff properly regarding procedures and CPT codes and the billing manager should review each code for accuracy before billing.

Status:

This finding has been resolved.