

**TECHE ACTION  
BOARD, INC.  
Franklin, Louisiana**

**Financial and Compliance Report  
May 31, 2017**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3 - 4
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7
Notes to Financial Statements	8 - 17
Supplementary Information	
Schedule of Expenditures of Federal Awards	18
Schedule of Compensation, Benefits and Other Payments	19
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 <i>Government Auditing Standards</i>	20 - 21
Independent Auditor's Report on Compliance for Each Major Program and Internal Control Over Compliance Required by Uniform Guidance	22 - 23
Schedule of Findings and Questioned Cost	24 - 25
Summary Schedule of Prior Year Findings and Questioned Costs	26

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

4827 IHLES ROAD  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouen CPA.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Teche Action Board, Inc.  
Franklin, Louisiana

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

I have audited the accompanying statements of Teche Action Board, Inc., (a non-profit organization), which comprise the statement of financial position as of May 31, 2017, and the related statements of activities, 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teche Action Board, Inc. as of May 31, 2017, 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

I have previously audited Teche Action Board, Inc.'s May 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2016. In my opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matters

### *Other Information*

My 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Compensation, Benefits and Other Payments, 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 my 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*, I have also issued my report dated November 28, 2017, on my consideration of Teche Action Board, Inc.'s internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Teche Action Board, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
November 28, 2017

**TECHE ACTION BOARD, INC.**  
**Franklin, Louisiana**  
**Statement of Financial Position**  
**As of May 31, 2017**  
**With Summarized Comparative Totals as of May 31, 2016**

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,639,010	\$ 2,035,708
Patient accounts receivable, net	1,187,997	969,040
Grant receivable	-	663,617
Supplies inventory	182,220	224,257
Prepaid expenses	106,681	79,473
Total Current Assets	4,115,908	3,972,095
<b>Property, Plant and Equipment</b>		
Land improvements	238,979	238,979
Building and improvements	13,736,492	12,943,367
Furniture and equipment	3,156,893	2,691,104
Vehicles	556,385	556,385
	17,688,749	16,429,835
Less accumulated depreciation	(5,669,521)	(4,959,149)
	12,019,228	11,470,686
Construction in progress	-	355,867
Land	1,195,873	1,195,873
Net Property, Plant and Equipment	13,215,101	13,022,426
<b>Other Assets</b>		
Investments	3,610,088	3,339,879
Total Assets	\$ 20,941,097	\$ 20,334,400

See accompanying notes to financial statements.

**TECHE ACTION BOARD, INC.**  
**Franklin, Louisiana**  
**Statement of Financial Position (Continued)**  
**As of May 31, 2017**  
**With Summarized Comparative Totals as of May 31, 2016**

	<u>2017</u>	<u>2016</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 527,092	\$ 340,702
Accrued payroll and related liabilities	992,513	829,190
Deferred revenue	69,490	69,490
Lines of credit	2,627,171	2,655,593
Current portion of lease payable	52,505	-
Current portion of notes payable	704,155	374,998
	<u>4,972,926</u>	<u>4,269,973</u>
<b>Total Current Liabilities</b>		
<b>Long Term Liabilities</b>		
Lease payable - net of current portion	86,418	-
Notes payable - net of current portion	337,967	654,619
	<u>424,385</u>	<u>654,619</u>
<b>Total Long Term Liabilities</b>		
	<u>424,385</u>	<u>654,619</u>
<b>Total Liabilities</b>	<u>5,397,311</u>	<u>4,924,592</u>
<b>Net Assets</b>		
Unrestricted net assets	<u>15,543,786</u>	<u>15,409,808</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 20,941,097</u>	<u>\$ 20,334,400</u>

See accompanying notes to financial statements.

**TECHE ACTION BOARD, INC.**  
**Franklin, Louisiana**  
**Statement of Activities**  
**For the Year Ended May 31, 2017**  
**With Summarized Comparative Totals for the Year Ended May 31, 2016**

	<u>2017</u>	<u>2016</u>
<b>Revenue and Support</b>		
Revenue:		
Gross patient service revenue	\$ 12,394,517	\$ 12,882,152
Contractual allowances and discounts	(2,262,651)	(4,580,419)
Bad debts	(122,290)	(660,382)
Net patient service revenue	<u>10,009,576</u>	<u>7,641,351</u>
Support:		
Grant, Public Health Service	5,689,677	4,866,852
Other grants and contracts	114,107	1,125,484
Investment income	153,932	127,392
Intergovernmental transfer - Franklin Hospital	622,900	963,742
Other income	662,886	1,704,800
Unrealized gain (loss) on other investments	<u>(109,879)</u>	<u>(37,828)</u>
Total Support	<u>7,133,623</u>	<u>8,750,442</u>
Total Revenue and Support	<u>17,143,199</u>	<u>16,391,793</u>
<b>Expenses</b>		
Program services	9,815,459	8,723,782
Management and general	<u>7,193,762</u>	<u>6,178,758</u>
Total Expenses	<u>17,009,221</u>	<u>14,902,540</u>
Change in Net Assets	133,978	1,489,253
Net Assets - Beginning of Year	<u>15,409,808</u>	<u>13,920,555</u>
Net Assets - End of Year	<u>\$ 15,543,786</u>	<u>\$ 15,409,808</u>

See accompanying notes to financial statements.

**TECHE ACTION BOARD, INC.**  
**Franklin, Louisiana**  
**Statement of Cash Flows**  
**For the Year Ended May 31, 2017**  
**With Summarized Comparative Totals for the Year Ended May 31, 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 133,978	\$ 1,489,253
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	709,940	608,658
Change in allowance for doubtful accounts	344,723	(93,930)
(Increase) decrease in accounts receivable	99,937	(829,136)
(Increase) decrease in supplies inventory	42,037	(11,740)
(Increase) decrease in prepaid expenses	(27,208)	16,059
Increase (decrease) in accounts payable	186,390	(112,546)
Increase (decrease) in accrued payroll and other expenses	163,323	161,662
	<u>1,653,120</u>	<u>1,228,280</u>
<b>Cash Flows From Investing Activities</b>		
(Purchase) redemption of investments in mortgage backed securities	(269,777)	(1,300,556)
Fixed asset acquisitions	(903,046)	(569,435)
	<u>(1,172,823)</u>	<u>(1,869,991)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from capital lease	165,302	-
Principal payments on capital lease	(26,379)	-
Proceeds from long term debt	877,451	487,396
Principal payments on long term debt	(864,947)	(60,487)
Proceeds from line of credit	2,627,171	55,627
Principal payments on line of credit	(2,655,593)	-
	<u>123,005</u>	<u>482,536</u>
Net Cash Provided (Used) by Financing Activities	<u>123,005</u>	<u>482,536</u>
Net Increase (Decrease) in Cash and Cash Equivalents	603,302	(159,175)
Cash and Cash Equivalents - Beginning of Year	2,035,708	2,194,883
Cash and Cash Equivalents - End of Year	<u>\$ 2,639,010</u>	<u>\$ 2,035,708</u>
<b>Supplemental Disclosure:</b>		
Interest paid	<u>\$ 111,291</u>	<u>\$ 100,400</u>

See accompanying notes to financial statements.

**TECHE ACTION BOARD, INC.**  
**Franklin, Louisiana**  
**Schedule of Functional Expenses**  
**For the Year Ended May 31, 2017**  
**With Summarized Comparative Totals for the Year Ended May 31, 2016**

	Program Services	Supporting Services Management & General	Total	
			2017	2016
Salaries	\$ 7,004,546	\$ 2,626,891	\$ 9,631,437	\$ 8,696,351
Fringe benefits	945,069	532,667	1,477,736	1,405,752
Medical contract expense	133,756	312,845	446,601	382,839
Non-medical contract expense	22,328	661,893	684,221	531,284
Supplies	1,449,407	444,856	1,894,263	1,516,263
Travel expense	116,710	230,540	347,250	271,699
Repairs and maintenance	108,164	299,869	408,033	333,802
Utilities	1,535	271,628	273,163	302,002
Telephone and postage	-	345,933	345,933	286,449
Dues and subscriptions	1,802	42,957	44,759	43,929
Insurance	4,136	168,332	172,468	209,954
Organization meeting	89	54,371	54,460	29,518
Advertising	347	98,388	98,735	67,273
Depreciation	-	709,940	709,940	608,658
Lease expense	-	68,723	68,723	21,201
Interest	2,209	109,082	111,291	100,400
Rental expense	8,550	13,504	22,054	13,690
Other	16,811	201,343	218,154	81,476
<b>Total Functional Expenses</b>	<b>\$ 9,815,459</b>	<b>\$ 7,193,762</b>	<b>\$ 17,009,221</b>	<b>\$ 14,902,540</b>

See accompanying notes to financial statements.

TECHE ACTION BOARD, INC.  
Franklin, Louisiana  
Notes to Financial Statements  
May 31, 2017

**NOTE 1 – NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Teche Action Board, Inc., (a nonprofit corporation) operates as Teche Action Clinic. The Organization was incorporated in May 1974 to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged. The Organization is a federally qualified health center (FQHC).

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the financial statements. The Organization's Form 990, Return of Organization Exempt for Income Tax, is subject to examination by the IRS, generally for three (3) years after it was filed.

**Method of Accounting**

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

**Accounting Estimates**

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

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

**Advertising Expense**

The Organization expenses the cost of advertising as the expense is incurred. For the year ended May 31, 2017, the cost totaled \$98,736.

**Property and Equipment**

Property and equipment is stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$5,000. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	5 - 35
Equipment, furniture and fixtures	3 - 20
Vehicles	10

TECHE ACTION BOARD, INC.  
Franklin, Louisiana  
Notes to Financial Statements (Continued)  
May 31, 2017

**NOTE 1 – NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Functional Expenses**

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

**Accounts Receivable**

The Organization records accounts receivable at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors.

**Bad Debts**

The Organization uses the allowance method in accounting for its un-collectible accounts. The allowance account consists of an estimate of uncollectible accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past patient history, any adverse situations that might affect the patient's ability to repay, and current economic conditions. Amounts charged-off that are subsequently recovered are recorded as income.

**Major Funding Source**

The Organization receives funds from DHHS, under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of non-compliance by the Organization with the terms of the grants. In addition, if the Organization terminates its DHHS grant activities, all unexpended federal funds are to be returned to DHHS.

**Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

**Grants and Contributions**

Grants and contributions are recognized as income when received. The Board reports grants as temporarily restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned.

TECHE ACTION BOARD, INC.  
Franklin, Louisiana  
Notes to Financial Statements (Continued)  
May 31, 2017

**NOTE 1 – NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Inventory**

Supply inventories are stated at lower of cost, determined by the FIFO method, or market.

**Retirement Plan**

The Organization has a 401(k) retirement plan for eligible employees. The plan provides for a mandatory 3% safe-harbor matching contribution. The Organization will also match 50% of an employee's contributions up to an additional 2%. All participating employees are fully vested immediately. To be eligible, an employee must be employed with the Organization for at least one year and must be at least eighteen years of age. Retirement expense recognized was \$97,238 for the year ending May 31, 2017.

**Investments**

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

**Risk Management**

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters.

**NOTE 2 – PATIENT ACCOUNTS RECEIVABLE**

Patient accounts receivable are comprised of the following for the years ending May 31, 2017:

Medicare	\$ 318,514
Medicaid	730,420
Private	<u>785,241</u>
	1,834,175
Less allowance for doubtful accounts	<u>646,178</u>
Patient accounts receivable, net	\$ <u>1,187,997</u>

TECHE ACTION BOARD, INC.  
Franklin, Louisiana  
Notes to Financial Statements (Continued)  
May 31, 2017

**NOTE 3 – COST REPORT RECEIVABLE**

The Organization participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Organization participates in the Medicaid program as a federally qualified health center. Final settlements will be made upon completion of audits by program representatives.

**NOTE 4 – ACCRUED VACATION**

The Organization allows employees to carry 40 hours of unused vacation into the following year. An employee may carry over additional vacation hours only with written permission from the executive director. The accrual is calculated based on the employee's pay rate at the end of the year. At May 31, 2017, accrued vacation totaled \$431,771.

**NOTE 5 – OPERATING LEASES**

The Organization has various lease agreements for 16 copy machines. Monthly payments range from \$183 to \$488 per month and have an initial term of 60 months. Lease expense on these operating leases totaled \$65,258 for the year ending May 31, 2017.

Future minimum payments are as follows for the years ending May 31,:

2018	\$ 63,767
2019	56,001
2020	51,029
2021	34,008
2022	<u>6,916</u>
Total	<u>\$ 211,721</u>

**NOTE 6 – ECONOMIC DEPENDENCY**

The Organization receives a substantial portion of its total support and revenues from the federal government. During the year ended May 31, 2017, Teche Action Board, Inc. recorded \$5,689,677 in grant support from the Department of Health and Human Services. This represents 33.2% of total support and revenues for the year ended May 31, 2017.

TECHE ACTION BOARD, INC.  
Franklin, Louisiana  
Notes to Financial Statements (Continued)  
May 31, 2017

**NOTE 7 – CONCENTRATIONS OF CREDIT RISK**

The Organization maintains several bank accounts at various banks, where account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Organization maintains deposit balances that exceed federally insured limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

The majority of the Organization’s patients are located in South Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of May 31, 2017 was as follows:

Medicare	27 %
Medicaid	61
Other	12
	<u>100 %</u>

The mix of net patient revenues for the year ended May 31, 2017 was as follows:

Medicare	25 %
Medicaid	59
Other	16
	<u>100 %</u>

**NOTE 8 – FUNCTIONAL ALLOCATION OF EXPENSES**

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

**NOTE 9 – CHARITY CARE**

The Organization provides care to patients who qualify under federal guidelines and other policies of the Organization at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data. The amount of costs associated with charity care for the year ending May 31, 2017 was \$3,093,366.

TECHE ACTION BOARD, INC.  
Franklin, Louisiana  
Notes to Financial Statements (Continued)  
May 31, 2017

**NOTE 10 – LINE OF CREDIT**

The Organization has a revolving line of credit with Whitney Bank dated March 21, 2017 with a current limit of \$3,250,000. The line of credit is secured by all deposits and investments held for the Organization at Whitney Bank and bears interest of 2.0 percentage points over the London Interbank Offered Rate (LIBOR). The balance outstanding on this line of credit was \$2,627,171 at May 31, 2017.

The Organization has an additional revolving line of credit with Whitney Bank dated March 21, 2017 with an available limit of \$500,000. Interest accrues and is payable monthly at the 30 day ICE LIBOR rate plus 2.25% on any outstanding balance. The line of credit is secured by all deposits and investments held for the Organization at Whitney Bank. The balance due on this line of credit was \$-0- as of May 31, 2017.

**NOTE 11 – DONATED PHARMACEUTICALS**

The Organization participates in several pharmaceutical distribution programs for indigent patients. Under these programs, free prescriptions are provided to eligible patients of the Organization. These amounts are not included in the statement of activities.

**NOTE 12 – NOTES PAYABLE**

Notes payable for the year ended May 31, 2017 consisted of the following:

Bank note payable dated August 19, 2016, due in one principal payment of \$300,000 due on August 19, 2017, interest to be paid monthly at a rate of 3.15%, collateralized by all deposits with lending bank and related real estate.	\$ 299,961
Bank note payable dated March 21, 2017, due in 35 equal monthly installments of \$13,588.28 and one final payment of remaining balance to be paid in March 21, 2020, including interest at 3.75%, collateralized by all deposits with lending bank	437,289
Bank note payable dated November 28, 2012, due in 59 equal monthly installments of \$2,165.95 and one final payment of remaining balance to be paid in November 28, 2017, including interest at 4.6%, collateralized by related real estate	216,906

TECHE ACTION BOARD, INC.  
Franklin, Louisiana  
Notes to Financial Statements (Continued)  
May 31, 2017

**NOTE 12 – NOTES PAYABLE (CONTINUED)**

Note payable dated October 27, 2014, due in 48 equal monthly installments of \$668.50. Final payment to be made October 27, 2019, including interest at 4.87%, collateralized by related automobile	\$ 10,960
Financing agreement payable dated December 17, 2015, due in 36 equal monthly installments of \$743. Final payment to be made November 17, 2018, including interest at 0.0%, collateralized by medical equipment	13,375
Financing agreement payable dated December 17, 2015, due in 36 equal monthly installments of \$531. Final payment to be made November 17, 2018, including interest at 0.0%, collateralized by medical equipment	9,560
Financing agreement payable dated September 14, 2015, due in 60 equal monthly installments of \$1,493. Final payment to be made September 20, 2020, including interest at 5.9%, collateralized by medical equipment	<u>54,071</u>
Total debt	<u>1,042,122</u>
Less current portion	<u>704,155</u>
Long-term debt	<u><u>\$ 337,967</u></u>

Maturities of debt for the next five years are as follows:

May 31,	Amount
2018	\$ 704,155
2019	181,896
2020	150,200
2021	<u>5,871</u>
Total	<u><u>\$ 1,042,122</u></u>

TECHE ACTION BOARD, INC.  
Franklin, Louisiana  
Notes to Financial Statements (Continued)  
May 31, 2017

**NOTE 13 – COMPLIANCE WITH LOAN COVENANTS**

One loan agreement contains various requirements related to financial ratios and a financial reporting due date. The Organization met the required ratio covenants but did not meet the financial reporting due date. A waiver was received from the lending institution regarding the reporting date.

**NOTE 14 – INVESTMENTS**

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair market hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs are inputs (other than quoted prices in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

The amortized cost and fair values measured on a recurring basis of investment securities as of May 31, 2017 are as follows:

	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Mortgage-Backed Securities (Level 2 Observable Inputs)	\$ 3,327,643	\$ 3,307,088	\$ (20,555)
Certificate of deposit (Level 2 Observable Inputs)	\$ 300,000	\$ 300,000	\$ -0-
Louisiana Primary Care Affordable Care Organization, LLC (Level 3 Cost Basis)	\$ 3,000	\$ 3,000	\$ -0-

TECHE ACTION BOARD, INC.  
Franklin, Louisiana  
Notes to Financial Statements (Continued)  
May 31, 2017

**NOTE 15 – CAPITAL LEASE**

The Organization has entered into a lease agreement as lessee for financing the acquisition of a phone system. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the lower of the present value of the future minimum lease payments or the fair value of the assets. The asset is depreciated over the lesser of its lease term or the estimated productive life. The capitalized cost on this lease was \$177,387 for May 31, 2017.

Depreciation expense on this equipment under capital lease for the year ending May 31, 2017 was \$20,695. The accumulated depreciation on this equipment was \$20,695 at May 31, 2017. The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at May 31, 2017:

Year Ending May 31,		
2018	\$	55,954
2019		55,954
2020		32,640
Total Minimum Lease Payments		144,548
Less: Amount Representing Interest		5,625
Present Value of Future Minimum Lease Payments	\$	138,923

**NOTE 16 - PRIOR-YEAR SUMMARIZED INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 May 31, 2016, from which the summarized information was derived.

**NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair value of all financial instruments at May 31, 2017 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

**TECHE ACTION BOARD, INC.**  
**Franklin, Louisiana**  
**Notes to Financial Statements (Continued)**  
**May 31, 2017**

***NOTE 18 – SUBSEQUENT EVENT***

The Organization evaluated its May 31, 2017 financial statements for subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which require recognition or disclosure in the financial statements.

**TECHE ACTION BOARD, INC.**  
**Franklin, Louisiana**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended May 31, 2017**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Year</u>	<u>Program Receipts</u>	<u>Program Expenses</u>
U. S. Department of Health and Human Services					
Direct Programs:					
Community Health Center Section 330	93.224	* H80CS00767-03-00	6/1/16 - 5/31/17	\$ 5,689,677	\$ 5,689,677
U. S. Department of Agriculture					
Passed through:					
La. Department of Health and Hospitals: Office of Public Health	10.572		10/1/16 - 9/30/17	<u>101,561</u>	<u>101,561</u>
Total federal assistance				<u>\$ 5,791,238</u>	<u>\$ 5,791,238</u>

**\* Major Programs**

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Teche Action Board, Inc., and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements contained by Title 2 of U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards (Uniform Guidance).

The amounts presented in this schedule do not differ from the amounts presented in, or used in the preparation of the financial statements.

**TECHE ACTION BOARD, INC.**  
**Franklin, Louisiana**  
**Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer**  
**Paid from Public Funds**  
**May 31, 2017**

Agency Head Name: Dr. Gary Wiltz, Chief Executive Officer

Purpose	Amount
Salary	\$ 0.00
Benefits-health insurance	0.00
Benefits-retirement	0.00
Benefits-Life, ADD, LTD	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements – Auto Mileage Reimb	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

4827 IHLES ROAD  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@jderouencpa.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## 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  
Teche Action Board, Inc.  
Franklin, Louisiana

I 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 Teche Action Board, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated November 28, 2017.

### **Internal Control over Financial Reporting**

In planning and performing my audit, I considered Teche Action Board, 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Teche Action Board, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Teche Action Board, 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.

My 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 weaknesses may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies (2017-001).

Board of Directors  
Teche Action Board, Inc.  
Franklin, Louisiana  
Page 2

### **Organization's Response to Findings**

The Organization's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Teche Action Board, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my test 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 my 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. However, this report is a matter of public record and its distribution is not limited.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
November 28, 2017

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

4827 IHLES ROAD  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@jderouencpa.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

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

Board of Directors  
Teche Action Board, Inc.  
Franklin, Louisiana

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

I have audited Teche Action Board, 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 Teche Action Board, Inc.'s major federal programs for the year ended May 31, 2017. Teche Action Board, 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Teche Action Board, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 of 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 I 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 Teche Action Board, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Teche Action Board, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In my opinion, Teche Action Board, 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 May 31, 2017.

## Report on Internal Control Over Compliance

Management of Teche Action Board, 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, I considered Teche Action Board, 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Teche Action Board, 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.*

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
November 28, 2017

**TECHE ACTION BOARD, INC.**  
**Schedule of Findings and Questioned Cost**  
**Year Ended May 31, 2017**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued			Unmodified
Internal control over financial reporting:			
Material weaknesses identified?	___ Yes	<u>X</u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u>X</u> Yes	___ No	
Noncompliance material to financial statements noted?	___ Yes	<u>X</u> No	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	___ Yes	<u>X</u> No	
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u>X</u> None reported	
Type of auditor’s report issued on compliance for major programs:			Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	___ Yes	<u>X</u> No	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	US Department of Health and Human Services, Community Health Center Section 330

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

Auditee qualified as low-risk auditee? X Yes \_\_\_ No

**NO SEPARATE MANAGEMENT LETTER ISSUED**

**TECHE ACTION BOARD, INC.**  
**Franklin, Louisiana**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended May 31, 2017**

**SECTION II – FINDINGS AND QUESTIONED COSTS**

**2017-001 Reconciliation of Accounting Records to Financial Statements –**

**Condition:** Several balance sheet accounts, specifically notes payable, credit cards payable, accounts payable and payroll taxes payable were not reconciled to the organizations financial statements in a timely manner.

**Criteria:** Proper internal control policies require the reconciliation of supporting records to the financial statements of the Organization.

**Effect:** Misstatements in financial statements could go undetected.

**Recommendation:** Management should implement a monthly checklist to facilitate the acknowledgement of the completion or document outstanding items of reconciliations of all significant assets and liabilities of the organization.

**Response:** During the fiscal year ended May 31, 2017, the accounting controller of the organization became terminally ill. During his absence, several of the previously mentioned issues occurred. Management is presently attempting to hire a replacement for this accounting position. Management is also working on the current reconciliations of the organization's assets and liabilities to the financial statements. Management is currently adding additional staff to the finance department to allow for comprehensive succession planning and cross training within the department.

**TECHE ACTION BOARD, INC.**  
**Franklin, Louisiana**  
**Schedule of Prior Year Findings and Questioned Costs**  
**Year Ended May 31, 2017**

**SECTION III – PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**NONE**