

**SWLA CENTER
FOR HEALTH SERVICES
Lake Charles, Louisiana**

**Financial and Compliance Report
May 31, 2020**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3 - 4
Statements of Activities	5
Statements of Cash Flows	6
Statements of Functional Expenses	7
Notes to Financial Statements	8 - 16
Supplementary Information	
Schedule of Expenditures of Federal Awards	17
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>	18 - 19
Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	20 - 21
Schedule of Findings and Questioned Cost	22 - 23
Schedule of Compensation, Benefits and Other Payments	24

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300

P. O. BOX 4265

LAKE CHARLES, LA 70606

(337) 513-4915 OFFICE/ (337) 205-6927 FAX

steve@sderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
SWLA Center for Health Services
Lake Charles, Louisiana

Report on the Financial Statements

I have audited the accompanying statements of SWLA Center for Health Services, (a non-profit organization), which comprise the statement of financial position as of May 31, 2020, and the related statements of activities, functional expenses, and cash flows for the fiscal 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 SWLA Center for Health Services as of May 31, 2020, and the changes in its net assets and its cash flows for the fiscal 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 the SWLA Center for Health Services' May 31, 2019 financial statements and my report dated September 3, 2019 expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the fiscal year ended May 31, 2019, 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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 December 3, 2020, on my consideration of SWLA Center for Health Services' 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 SWLA Center for Health Services' internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
December 3, 2020

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Financial Position
As of May 31, 2020
With Summarized Comparative Totals as of May 31, 2019

Assets	2020	2019
Current Assets		
Cash and cash equivalents	\$ 1,720,133	\$ 1,516,146
Patient accounts receivable, net	2,240,880	1,755,192
Other receivables	869,733	104,646
Supplies inventory	57,483	47,158
Prepaid expenses	261,736	234,805
	<u>5,149,965</u>	<u>3,657,947</u>
Property, Plant and Equipment		
Furniture and equipment	5,259,816	5,050,143
Building and improvements	15,236,146	15,245,084
Automobiles	172,098	82,437
	<u>20,668,060</u>	<u>20,377,664</u>
Less accumulated depreciation	<u>(9,342,216)</u>	<u>(8,742,845)</u>
	11,325,844	11,634,819
Land	953,584	953,584
Construction in progress	594,701	-
	<u>12,874,129</u>	<u>12,588,403</u>
Net Property, Plant and Equipment		
	<u>12,874,129</u>	<u>12,588,403</u>
Total Assets	<u><u>\$ 18,024,094</u></u>	<u><u>\$ 16,246,350</u></u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Financial Position (Continued)
As of May 31, 2020
With Summarized Comparative Totals as of May 31, 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 321,554	\$ 371,081
Accrued vacation and payroll	701,769	770,032
Payroll taxes payable	54,889	59,820
PPP loan payable	1,358,830	-
Capital lease obligation payable	19,440	-
Current portion of notes payable	477,167	33,058
	<u>2,933,649</u>	<u>1,233,991</u>
Total Current liabilities		
Long Term Liabilities		
Capital lease obligation payable - net of current portion	35,641	-
Notes payable - net of current portion	945,020	978,510
	<u>3,914,310</u>	<u>2,212,501</u>
Total Liabilities		
Net Assets		
Without donor restrictions	14,109,784	14,033,849
Total Net Assets	<u>14,109,784</u>	<u>14,033,849</u>
	<u>\$ 18,024,094</u>	<u>\$ 16,246,350</u>
Total Liabilities and Net Assets		

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Activities
For the Year Ended May 31, 2020
With Summarized Comparative Totals for the Year Ended May 31, 2019

	<u>2020</u>	<u>2019</u>
Revenue and Support - Without Donor Restrictions		
Revenue:		
Gross patient service revenue	\$ 17,858,586	\$ 17,748,252
Less: contractual allowances and discounts	<u>(6,140,287)</u>	<u>(5,483,266)</u>
	11,718,299	12,264,986
Less: provision for uncollectible accounts	<u>(925,345)</u>	<u>(1,706,454)</u>
Net patient service revenue	10,792,954	10,558,532
340 B program income	<u>284,569</u>	<u>143,906</u>
 Total Revenue	 <u>11,077,523</u>	 <u>10,702,438</u>
 Support and other income:		
Grant awards	6,561,540	5,945,802
Contributions	919	21,543
Interest and dividend income	60,294	20,078
In-kind donations	309,502	398,073
Other income	<u>962,097</u>	<u>753,387</u>
 Total Support	 <u>7,894,352</u>	 <u>7,138,883</u>
 Total Revenue and Support - Unrestricted	 <u>18,971,875</u>	 <u>17,841,321</u>
 Expenses		
Program services	10,895,239	10,734,640
General and administrative	<u>8,000,701</u>	<u>7,004,803</u>
 Total Expenses	 <u>18,895,940</u>	 <u>17,739,443</u>
 Change in Net Assets - Without Donor Restrictions	 <u>75,935</u>	 <u>101,878</u>
 Net Assets - Beginning of Year	 <u>14,033,849</u>	 <u>13,931,971</u>
 Net Assets - End of Year	 <u>\$ 14,109,784</u>	 <u>\$ 14,033,849</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Cash Flows
For the Year Ended May 31, 2020
With Summarized Comparative Totals for the Year Ended May 31, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 75,935	\$ 101,878
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	599,371	561,635
Change in allowance for doubtful accounts	(40,610)	1,554,221
(Increase) decrease in accounts receivable	(445,078)	(1,049,457)
Other	(765,087)	5,555
(Increase) decrease in supplies inventory	(10,325)	(2,800)
(Increase) decrease in prepaid expenses	(26,931)	(67,355)
Increase (decrease) in accounts payable	(49,527)	(290,925)
Increase (decrease) in accrued vacation and payroll	(73,194)	109,567
	<u>(735,446)</u>	<u>922,319</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Investing Activities		
Fixed asset acquisitions	<u>(885,097)</u>	<u>(1,905,913)</u>
Net Cash Provided (Used) by Investing Activities	<u>(885,097)</u>	<u>(1,905,913)</u>
Cash Flows From Financing Activities		
Proceeds from loans	500,913	985,182
Payments on capital lease obligation	(3,194)	-
Proceeds from PPP loans	1,358,830	-
Principal payments on loans	<u>(32,019)</u>	<u>(9,454)</u>
Net Cash Provided (Used) by Financing Activities	<u>1,824,530</u>	<u>975,728</u>
Net Increase (Decrease) in Cash and Cash Equivalents	203,987	(7,866)
Cash and Cash Equivalents - Beginning of Year	<u>1,516,146</u>	<u>1,524,012</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,720,133</u>	<u>\$ 1,516,146</u>
Supplemental Disclosure:		
Interest paid	<u>\$ 52,171</u>	<u>\$ 20,800</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Schedule of Functional Expenses
For the Year Ended May 31, 2020
With Summarized Comparative Totals for the Year Ended May 31, 2019

	Program Services	Supporting Services	Total	
		General and Administrative	2020	2019
Salaries	\$ 7,328,572	\$ 3,283,743	\$ 10,612,315	\$ 9,891,371
Fringe benefits	857,873	505,047	1,362,920	1,370,691
Payroll taxes	528,624	256,767	785,391	713,397
Consultants and contractual services	522,376	1,777,247	2,299,623	2,101,192
Supplies	1,037,014	241,776	1,278,790	1,150,054
Dues and subscriptions/printing	-	38,787	38,787	41,784
Maintenance and repairs	50,901	161,775	212,676	239,871
Telephone	-	190,091	190,091	185,070
Postage	-	24,166	24,166	28,774
Insurance	-	118,792	118,792	118,220
Travel, seminars and education	102,600	82,748	185,348	157,673
Taxes and licenses	6,470	29,942	36,412	35,365
Utilities	-	215,410	215,410	254,782
Interest	-	52,171	52,171	20,800
Legal and professional	-	163,106	163,106	150,826
Rent	-	69,702	69,702	80,723
In-kind donations (vaccines)	309,502	-	309,502	398,073
Miscellaneous	4,208	188,355	192,563	107,016
Service charges	-	61,307	61,307	26,236
Vehicle expense	-	29,365	29,365	16,851
Recruitment cost	58,132	-	58,132	89,039
Total expenses before depreciation	10,806,272	7,490,297	18,296,569	17,177,808
Depreciation and amortization	88,967	510,404	599,371	561,635
Total expenses	\$ 10,895,239	\$ 8,000,701	\$ 18,895,940	\$ 17,739,443

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements
May 31, 2020

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

SWLA Center for Health Services (a nonprofit corporation) was incorporated May 1, 1978 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) and is principally funded under a grant from the Office of Public Health Services, a component of the U.S. Department of Health and Human Services (DHHS). The Board of Directors of SWLA Center for Health Services serve the Organization without paid compensation.

Income Taxes

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

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>
Building	30
Equipment, furniture and fixtures	3 - 20
Vehicles	5

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2020

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

Basis of Presentation

Financial statement presentation follows the recommendations of the FASB ASU 2016-14, Financial Statements of Not-for-Profit Entities. Under FASB ASU 2016-14, the Agency is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions include amounts that are not subject to usage restrictions on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met. Net assets with donor restrictions include assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Agency. Certain restrictions may need to be maintained in perpetuity.

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.

Allowance for Doubtful Accounts and Bad Debts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Inventory

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

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2020

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

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. Retroactive adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

SWLA Center for Health Services has agreements with third-party payors that provide reimbursement to the Organization at amounts different from its established rates. Contractual adjustment under third-party reimbursement programs represent the difference between the SWLA Center for Health Services' rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare A – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.

Medicare B – Fee-For-Service – Reimbursed per encounter up to the payors allowable amount.

Regular Medicaid and Medicaid Bayou Health – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.

All Other Medicaid – Fee-For-Service – Reimbursed per encounter up to the payors allowable amount.

Commercial – Fee-For-Service – Reimbursed per contract or per payer's allowable fee schedule.

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. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the grants and contributions are recognized.

Fair Values 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 as of May 31, 2020, do 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

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2020

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

Fair Values of Financial Instruments (continued)

agency could realize in a current market exchange. The recorded values of cash and cash equivalents, certificate of deposits, accounts receivable, prepaid expenses, deposits, 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.

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. The Organization is deemed under the Federal Torts Claims Act for claims arising from malpractice and commercial insurance.

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.

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.

Performance Indicator

The Organization utilizes revenues over expenses as its performance indicator.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2020

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the years ending May 31, 2020:

Medicare	\$	667,261
Medicaid		1,113,729
Private		3,522,742
		5,303,732
Less allowance for doubtful accounts		(3,062,852)
		\$ 2,240,880

The Organization’s allowance for doubtful accounts for all payor types was calculated using an estimate of uncollectible accounts receivable based on aging. The allowance for doubtful accounts percentages did not change from the prior year’s calculation. The Organization’s write-offs, which primarily consisted of self-pay charges, totaled \$925,345 for the fiscal year May 31, 2020. During the fiscal year, the Organization automatically updated the patient’s sliding fee application for changes to the current Federal Poverty Level guidelines.

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 over unused vacation hours, 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, 2020, accrued vacation totaled \$337,436.

NOTE 5 - ECONOMIC DEPENDENCY

The Organization receives a substantial portion of its total support and revenues from the federal government. During the year ended May 31, 2020, SWLA Center for Health Services recorded \$6,617,876 in grant support from the Department of Health and Human Services. This represents 35% of total support and revenues for the year ended May 31, 2020. These funds are provided to subsidize charity services provided by the Organization.

NOTE 6 - PRIOR YEAR BALANCES

Certain prior year amounts may have been reclassified to conform to current year presentation.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2020

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at various banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC), based on balances and interest rate terms. Amounts held in financial institutions occasionally are in excess of Federal Deposit Insurance Corporation 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 Southwest Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors was as follows:

	<u>2020</u>	
Medicare	30	%
Medicaid	50	
Other	<u>20</u>	
	<u>100</u>	<u>%</u>

The mix of net patient revenues was as follows:

	<u>2020</u>	
Medicare	12	%
Medicaid	77	
Other	<u>11</u>	
	<u>100</u>	<u>%</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.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2020

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 fiscal year ending May 31, 2020 was \$1,789,261.

NOTE 10-401(k) PLAN

The Organization sponsors a 401 (k) Plan covering substantially all of its employees. The employees may elect to make contributions pursuant to a salary reduction agreement upon meeting eligibility requirements. The Organization made matching contributions of \$305,779 for the year ended May 31, 2020.

NOTE 11- LEASES

The Organization (lessor) entered into a 24-month building lease dated December 13, 2017, commencing January 2018 and expiring January 2020, currently at \$1,250 per month. The office space leased is 1,250 square feet of the Organization's 26,000 square foot clinic building in Lafayette, Louisiana. Future minimum rentals for FYE May 2020 is \$-0-.

The Organization has entered into a lease agreement as lessee for financing the acquisition of telephone equipment. 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 capitalized cost of this asset is \$152,516. The Organization is depreciating the capital asset over its estimated productive life. The accumulated depreciation on the equipment under this capital lease obligation was \$6,355 at May 31, 2020.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at May 31, 2020:

Year ending May 31, 2021	\$ 20,844
Year ending May 31, 2022	20,844
Year ending May 31, 2023	<u>17,370</u>
	59,058
Less amount representing interest	3,977
Present value of minimum lease payments	<u>\$ 55,081</u>

SWLA CENTER FOR HEALTH SERVICES
 Lake Charles, Louisiana
 Notes to Financial Statements (Continued)
 May 31, 2020

NOTE 12-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, 2019, from which the summarized information was derived.

NOTE 13-IN-KIND DONATIONS

In-kind donations of \$309,502, represent the cost value of vaccines provided to SWLA. The vaccines were administered to qualifying children by SWLA staff.

NOTE 14-LITIGATION

The Organization is involved in litigation arising in the course of business. After consultation with legal counsel, no reliable evaluation of an unfavorable outcome or the estimated range of loss can be provided at this time.

NOTE 15-CONSTRUCTION LOAN PAYABLE

The Organization has a line of credit dated November 29, 2017 for a total amount \$1,021,023 for the purpose of constructing facility in Crowley, Louisiana. As of May 31, 2020, \$979,549 was payable. Interest at date of closing is 4.5%.

The Organization has a line of credit dated January 17, 2020 for a total amount \$480,000 for the purpose of constructing facility in Oberlin, Louisiana. As of May 31, 2020, \$442,639 was payable. Interest at date of closing is 4.25%.

Loan maturities for each of the five years following May 31, 2020, are as follows:

2021	\$ 477,167
2022	36,115
2023	908,905
2024	-0-
2025	-0-
Total	<u>\$ 1,422,187</u>

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements
May 31, 2020

NOTE 16-PPP LOAN PAYABLE

On April 14, 2020, the Organization was granted a loan (the “Loan”) from Iberia Bank, in the aggregate amount of \$1,803,390, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 14, 2020 issued by the Borrower, matures on April 14, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 14, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before September 29, 2020. The Organization intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

NOTE 17-SUBSEQUENT EVENT

The Organization evaluated its May 31, 2020 financial statements for subsequent events through the date of the independent auditor’s report, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 18 – QUANTITATIVE AND QUALITATIVE LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$4,830,746 of financial assets available within one year of the statement of financial position date to meet general expenditures consisting substantially of cash totaling \$4,720,133, receivables totaling \$3,110,6133. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

NOTE 19-PROVIDER RELIEF FUNDS

The CARES Act established a Provider Relief Fund to be used for economic support of health care entities in connection with health-care-related expenses or lost revenues attributable to COVID-19 and treatment of uninsured COVID-19 patients. The Organization recognized \$327,465 in provider relief funds during FYE May 31, 2020.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2020

<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	H80CS00558	* 6/1/19 - 5/31/20	\$ 6,115,272	\$ 6,115,272
Coronavirus Supplemental funding for Health Centers COVID-19	93.224	H80CS00558	* 6/1/19 - 5/31/20	175,139	175,139
U. S. Department of Agriculture					
Passed through:					
Louisiana Department of Health and Hospitals: Office of Public Health	10.572		10/1/19 - 9/30/20	<u>108,633</u>	<u>108,633</u>
Total federal assistance				<u>\$ 6,399,044</u>	<u>\$ 6,399,044</u>

* Denotes major program

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of SWLA Center for Health Services, 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 Audit Requirements for Federal Awards* (Uniform Guidance). Certain costs have been allocated to the federal program in accordance with OMB Circular A-122, *Cost Principles of Non-Profit Organizations*. The amounts presented in this schedule do not differ from the amounts presented in, or used in the preparation of the financial statements.

The Organization has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300

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
SWLA Center for Health Services
Lake Charles, 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 SWLA Center for Health Services (a nonprofit organization), which comprise the statement of financial position as of May 31, 2020, 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 December 3, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered SWLA Center for Health Services' 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 SWLA Center for Health Services' internal control. Accordingly, I do not express an opinion on the effectiveness of SWLA Center for Health Services' 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. Given these limitations, during my audit I did not identify any

deficiencies in internal control that I 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 SWLA Center for Health Services' 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
December 3, 2020

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300

P. O. BOX 4265

LAKE CHARLES, LA 70606

(337) 513-4915 OFFICE/ (337) 205-6927 FAX

steve@sderouencpa.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 THE UNIFORM GUIDANCE

Board of Directors
SWLA Center for Health Services
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

I have audited SWLA Center for Health Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SWLA Center for Health Services' major federal programs for the year ended May 31, 2020. SWLA Center for Health Services' 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

My responsibility is to express an opinion on compliance for each of SWLA Center for Health Services' 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 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 SWLA Center for Health Service'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 SWLA Center for Health Services' compliance.

Opinion on Each Major Federal Program

In my opinion, SWLA Center for Health Services 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, 2020.

Report on Internal Control Over Compliance

Management of SWLA Center for Health Services 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 SWLA Center for Health Services' 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, I do not express an opinion on the effectiveness of SWLA Center for Health Services' 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. 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 my 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.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
December 3, 2020

SWLA CENTER FOR HEALTH SERVICES

**Schedule of Findings and Questioned Costs
Year Ended May 31, 2020**

SECTION I – SUMMARY OF AUDITORS’ 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?	___	Yes	<u>X</u>	None reported
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>	No
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

SWLA CENTER FOR HEALTH SERVICES

**Schedule of Findings and Questioned Costs
Year Ended May 31, 2020**

SECTION II – FINDINGS

None

SECTION III – Prior Year Findings and Questioned Costs

None

SWLA Center for Health Services, Inc.

Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer

May 31, 2020

Agency Head Name: JayVon Muhamad, Chief Executive Officer

NO COMPENSATION PAID FROM PUBLIC FUNDS

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