

**DAVID RAINES COMMUNITY
HEALTH CENTER, INC.**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2018

(With Summarized Financial Information for 2017)

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 June 30, 2018
 TABLE OF CONTENTS

	EXHIBIT	PAGE(S)
Independent Auditor's Report		1 - 2
Statement of Financial Position	I	3 - 4
Statement of Operations and Changes In Net Assets	II	5
Statement of Cash Flows	III	6
Schedule of Functional Expenses	IV	7
Notes to the Financial Statements		8 - 15
Schedule of Expenditures of Federal Awards		16
Notes to Schedule of Expenditures of Federal Awards		17
 SUPPLEMENTARY INFORMATION	 SCHEDULE	
Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer	A	19
Combining Schedule of Support and Revenues	B	20
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance With Government Auditing Standards		21 - 22
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance		23 - 25
Summary Schedule of Prior Year Audit Findings		26
Schedule of Findings and Questioned Costs		27 - 28
Auditee Corrective Action Plan		29



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of David Raines Community Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of David Raines Community Health Center, Inc., as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited David Raines Community Health Center, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other-Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19 - 20 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of David Raines Community Health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering David Raines Community Health Center, Inc.'s internal control over financial reporting and compliance.

Braun, Eyr & Co.

Ridgeland, Mississippi
December 13, 2018

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2018
(With Summarized Financial Information for 2017)

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 270,915	\$ 386,789
Certificates of deposit	300,000	300,000
Patient care receivables, less allowance of \$390,390 for doubtful accounts	545,098	405,070
Grants receivable	39,980	78,820
Accounts receivable - other	15,667	25,346
Inventory - pharmacy	63,173	97,195
Prepaid expenses	<u>10,215</u>	<u>10,663</u>
Total Current Assets	<u>1,245,048</u>	<u>1,303,883</u>
Fixed Assets:		
Land	78,959	78,959
Building and improvements	5,055,212	4,641,765
Furniture and equipment	2,197,628	2,164,124
Vehicles	<u>473,854</u>	<u>473,853</u>
	7,805,653	7,358,701
Less: Accumulated depreciation	<u>(3,847,443)</u>	<u>(3,580,764)</u>
Net Fixed Assets	<u>3,958,210</u>	<u>3,777,937</u>
Other Assets:		
Deposits	<u>2,200</u>	<u>2,200</u>
TOTAL ASSETS	<u>\$ 5,205,458</u>	<u>\$ 5,084,020</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2018
(With Summarized Financial Information for 2017)

<u>LIABILITIES AND NET ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Liabilities:		
Accounts payable	\$ 220,692	\$ 239,734
Line of credit payable	437,163	535,193
Other payroll deductions payable	-	1,482
Salaries payable	277,582	245,503
Accrued annual leave	284,265	266,302
Other current liabilities	55,000	123,484
Current portion of long term debt	<u>25,798</u>	<u>116,086</u>
Total Current Liabilities	<u>1,300,500</u>	<u>1,527,784</u>
Long-Term Liabilities		
Notes payable, net of current portion	<u>47,156</u>	<u>246,431</u>
Total Long-Term Liabilities	<u>47,156</u>	<u>246,431</u>
Total Liabilities	<u>1,347,656</u>	<u>1,774,215</u>
Net Assets:		
Unrestricted		
Undesignated (Operating)	1,034,096	606,986
Section 329/330(d) reserve	300,000	300,000
Fixed assets	2,523,706	2,343,435
Temporarily Restricted	<u>-</u>	<u>59,384</u>
Total Net Assets	<u>3,857,802</u>	<u>3,309,805</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,205,458</u>	<u>\$ 5,084,020</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Operations and Changes In Net Assets
For the Year Ended June 30, 2018
(With Summarized Financial Information for 2017)

	<u>Current Unrestricted</u>			<u>2018</u>	<u>2017</u>
	<u>Operations</u>	<u>Fixed Assets</u>	<u>Temporarily Restricted</u>		
SUPPORT AND REVENUES					
Support:					
Grants and contracts	\$ 4,884,842	-	-	\$ 4,884,842	\$ 4,130,359
Net assets released from restrictions					
Satisfaction of program restriction	<u>59,384</u>	<u>-</u>	<u>(59,384)</u>	<u>-</u>	<u>-</u>
Total Support	<u>4,944,226</u>	<u>-</u>	<u>(59,384)</u>	<u>4,884,842</u>	<u>4,130,359</u>
Revenue:					
Health care services, net of charity, bad debts and contractual adjustments of \$10,921,602	6,874,077	-	-	6,874,077	6,768,436
340B income	267,771	-	-	267,771	302,974
Forgiveness of debt income	172,878	-	-	172,878	-
Interest income	3,455	-	-	3,455	8,155
Rental income	571	-	-	571	450
Other income	<u>426,633</u>	<u>-</u>	<u>-</u>	<u>426,633</u>	<u>321,873</u>
Total Revenue	<u>7,745,385</u>	<u>-</u>	<u>-</u>	<u>7,745,385</u>	<u>7,401,888</u>
TOTAL SUPPORT AND REVENUES	<u>12,689,611</u>	<u>-</u>	<u>(59,384)</u>	<u>12,630,227</u>	<u>11,532,247</u>
EXPENSES					
Program Services					
Health care services	6,087,835	-	-	6,087,835	6,330,790
Community services	<u>137,902</u>	<u>-</u>	<u>-</u>	<u>137,902</u>	<u>228,493</u>
Total Program Services	<u>6,225,737</u>	<u>-</u>	<u>-</u>	<u>6,225,737</u>	<u>6,559,283</u>
Supporting Services					
Management and general	5,560,071	266,679	-	5,826,750	4,579,538
Fundraising	<u>29,743</u>	<u>-</u>	<u>-</u>	<u>29,743</u>	<u>-</u>
Total Supporting Services	<u>5,589,814</u>	<u>266,679</u>	<u>-</u>	<u>5,856,493</u>	<u>4,579,538</u>
TOTAL EXPENSES	<u>11,815,551</u>	<u>266,679</u>	<u>-</u>	<u>12,082,230</u>	<u>11,138,821</u>
Change in Net Assets	874,060	(266,679)	(59,384)	547,997	393,426
Net Assets, Beginning of Year	906,986	2,343,435	59,384	3,309,805	2,916,379
Other changes in net assets					
Acquisition of fixed assets	<u>(446,950)</u>	<u>446,950</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(446,950)</u>	<u>446,950</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 1,334,096</u>	<u>2,523,706</u>	<u>-</u>	<u>\$ 3,857,802</u>	<u>\$ 3,309,805</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Cash Flows
For the Year Ended June 30, 2018
(With Summarized Financial Information for 2017)

CASH FLOWS USED FOR OPERATING ACTIVITIES:

	<u>2018</u>	<u>2017</u>
Changes in Net Assets	\$ 547,997	\$ 393,426
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	266,679	278,881
Decrease (increase) in:		
Patient care receivables	(140,028)	(84,547)
Inventory	34,022	(183)
Other receivable	9,679	5,542
Grants receivable	38,840	(49,350)
Prepaid expenses	441	587
Increase (decrease) in:		
Accounts payable	(19,042)	(160,727)
Other payroll deductions payable	(1,477)	(1,673)
Other liabilities	(68,484)	67,498
Accrued annual leave	17,963	11,601
Accrued salary payable	32,080	(16,400)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>718,670</u>	<u>444,655</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of Investments	-	-
Acquisition of fixed assets	<u>(446,951)</u>	<u>(40,242)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(446,951)</u>	<u>(40,242)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on notes payable	<u>(387,593)</u>	<u>(78,956)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(387,593)</u>	<u>(78,956)</u>
 NET INCREASE (DECREASE) IN CASH	(115,874)	325,457
 CASH, BEGINNING OF YEAR	<u>386,789</u>	<u>61,332</u>
 CASH, END OF YEAR	<u>\$ 270,915</u>	<u>\$ 386,789</u>
 <u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest expense	<u>\$ 32,777</u>	<u>\$ 33,122</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 Schedule of Functional Expenses
 For the Year Ended June 30, 2018
 (With Summarized Financial Information for 2017)

	PROGRAM SERVICES			SUPPORTING SERVICES		2018	2017
	Health Care Services	Community Services	Total Program Services	Management and General	Fundraising		
Personnel	\$ 4,414,346	125,506	4,539,852	2,707,994	-	\$ 7,247,846	\$ 7,003,385
Fringe benefits	203,696	7,484	211,180	670,668	-	881,848	825,659
Travel	11,547	1,738	13,285	55,809	-	69,094	30,545
Supplies	1,049,434	2,485	1,051,919	90,304	-	1,142,223	996,070
Equipment rental	-	-	-	33,394	-	33,394	38,786
Contractual	326,836	-	326,836	687,723	-	1,014,559	495,142
Legal	-	-	-	12,030	-	12,030	30,873
Dues and subscriptions	8,085	-	8,085	42,516	-	50,601	30,185
Utilities	-	-	-	105,142	-	105,142	100,821
Repairs and maintenance	31,191	-	31,191	435,926	-	467,117	436,439
Insurance	-	-	-	75,812	-	75,812	114,974
Staff recruitment	-	-	-	22,312	-	22,312	10,809
Public relations	-	-	-	41,026	-	41,026	37,624
Security	537	-	537	34,436	-	34,973	21,669
Training and development	29,933	689	30,622	45,145	-	75,767	36,645
Telephone	-	-	-	316,320	-	316,320	287,192
Postage	-	-	-	9,268	-	9,268	8,038
Printing	2,096	-	2,096	469	-	2,565	4,558
Space cost	-	-	-	40,438	-	40,438	43,767
Interest	-	-	-	32,777	-	32,777	33,122
Bank charges	1,474	-	1,474	21,485	-	22,959	37,168
Food and beverage	48	-	48	21,056	-	21,104	15,988
Board expenses	-	-	-	2,844	-	2,844	32,556
Fundraising	-	-	-	-	29,743	29,743	2,089
Property and other taxes	-	-	-	40,409	-	40,409	19,498
Legal settlement	-	-	-	-	-	-	145,000
Other	8,612	-	8,612	14,768	-	23,380	21,338
Total expenses before depreciation	6,087,835	137,902	6,225,737	5,560,071	29,743	11,815,551	10,859,940
Depreciation	-	-	-	266,679	-	266,679	278,881
Total Expenses	\$ 6,087,835	137,902	6,225,737	5,826,750	29,743	\$ 12,082,230	\$ 11,138,821

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2018

NOTE 1 - ABOUT THE ORGANIZATION

David Raines Community Health Center, Inc. (DRCHC), a non-profit corporation was incorporated in the State of Louisiana on May 19, 1992. DRCHC was incorporated for the purpose of delivering comprehensive primary health care services to all individuals and families in the surrounding contiguous areas.

The fiscal year of DRCHC is July 1 through June 30.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of David Raines Community Health Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB ASC 958-605-30-4, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Assets acquired with a unit cost of \$5,000 is capitalized and depreciated over their estimated useful lives.

The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.

- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - DRCHC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.
- M. Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.
- N. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2018

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 270,915	\$ 270,915
Certificates of deposit	\$ 300,000	\$ 300,000
Financial liabilities:		
Notes payable	\$ 72,954	\$ 72,954
Line of credit payable	\$ 437,163	\$ 437,163

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Center maintains its cash balances in three (3) financial institutions located in Shreveport, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018, the Center had an uninsured cash balance of \$94,946. The Center has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 5 - PATIENT RECEIVABLES RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at June 30, 2018:

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 9,988
Government	518,770
Other	406,728
	<u>\$ 935,486</u>

Allowance for doubtful accounts is summarized as follows at June 30, 2018

<u>Allowance :</u>	<u>Amount</u>
Patients	\$ 22,753
All Other	367,635
	<u>\$ 390,388</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2018

NOTE 6 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at June 30, 2018:

<u>Patient Service Revenue</u>	<u>Amount</u>
Patient Service Revenue	\$ 17,795,679
Less: Contractual adjustment under third-party reimbursement program and discounts	(10,536,826)
Provision for bad debts	(384,777)
Net Patient Service Revenue	\$ 6,874,076

NOTE 7 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation at June 30, 2018:

<u>Assets</u>	<u>Cost</u>
Land	\$ 78,959
Buildings and Improvements	5,055,212
Furniture and Equipment	2,197,628
Vehicles	473,854
Total Fixed Assets	7,805,653
Less: Accumulated Depreciation	(3,847,443)
Net Fixed Assets	\$ 3,958,210

Depreciation expense for the year ended June 30, 2018 amounted to \$266,679.

NOTE 8 - CORPORATE INCOME TAXES

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

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2015, 2016, and 2017 are subject to examination by the federal, state and local taxing authorities, generally for three years after they are filed.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2018

NOTE 9 - RETIREMENT PLAN

The Center has a Section 403(b) retirement annuity plan on all eligible employees. Currently, the Center contributes to the plan three percent (3%) of gross wages. Each employee is allowed to contribute up to six percent (6%) of gross wages. The retirement expense for the fiscal year is \$42,343.

NOTE 10 - COMMITMENT AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at June 30, 2018 in the amount of \$284,265 is included in the financial statements. See Note 2.J. above.

NOTE 11 - SUMMARY OF FUNDING AND SUPPORT

David Raines Community Health Center's operations are funded through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Department of Health and Human Services	H80CS00720	7/1/17 - 6/30/18	\$ 3,878,894
U.S. Department of Health and Human Services	C8BCS29720	7/1/17 - 6/30/18	285,433
Christus Health Grant	N/A	7/1/17-6/30/18	40,000
Louisiana Clinical Services(School Based Clinics)	N/A	7/1/17-6/30/18	402,258
Louisiana State Department of Health and Hospitals (WIC)	720173	7/1/17-6/30/18	255,332
United Way	N/A	7/1/17-6/30/18	10,000
Louisiana Primary Care Association	N/A	7/1/17-6/30/18	12,925
TOTAL			<u>\$ 4,884,842</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2018

NOTE 12 - LONG-TERM NOTES PAYABLE

Notes payable consist of the following at June 30, 2018:

6.11% note dated November 23, 2005, payable in monthly payments of \$2,439 which includes principal and interest only; matures , December 1, 2020, collateralized by Minden Clinic Building	\$ 66,521
1.00% note dated April 14, 2013, payable in monthly payments of \$7,874 which includes principal and interest only; matures July 31, 2018; collateralized by Bossier Clinic Building	<u>6,433</u>
TOTALS	72,954
Less: Current portion	<u>(32,498)</u>
Total Long-Term Debt	<u><u>\$ 40,456</u></u>

Maturities of long-term debt are as follows:

		Principal	Interest	Total
FY 2019		\$ 32,498	3,352	\$ 35,850
FY 2020		27,702	1,565	29,267
FY 2021		<u>12,754</u>	<u>140</u>	<u>12,894</u>
Totals		<u><u>\$ 72,954</u></u>	<u><u>5,057</u></u>	<u><u>\$ 78,011</u></u>

NOTE 13 - BANK LINE OF CREDIT PAYABLE

David Raines Community Health Center, Inc. has available a secured line-of-credit agreement dated September 24, 2016 with Capital One Bank in which David Raines Community Health Center, Inc. may borrow up to \$500,000. Borrowing under the line bears interest at 4.3%. As of June 30, 2018, David Raines Community Health Center, Inc.'s outstanding balance on the line-of-credit was \$430,912.

David Raines Community Health Center, Inc. has available an open-end, secured line-of-credit agreement dated June 27, 2016 with Shreveport Federal Credit Union in which David Raines Community Health Center, Inc. may borrow up to \$350,000. Borrowing under the line bears interest at 2.2%. As of June 30, 2018, David Raines Community Health Center, Inc.'s outstanding balance on the line-of-credit was \$6,252.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2018

NOTE 14 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Net assets released from restrictions	
Christus Health Foundation - Outreach for Medicaid Participation	\$ 14,384
Community Foundation of North Louisiana	20,000
Carolyn W & Charles T Beaird Foundation	<u>25,000</u>
TOTALS	<u>\$ 59,384</u>

NOTE 15 - LITIGATION

David Raines Community Health Center, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers and other insurance coverage in amounts the Company believes to be adequate. The Company requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

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

NOTE 16 - ADVERTISING

David Raines Community Health Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending June 30, 2018, advertising cost totaled \$40,790.

NOTE 17 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 33% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2018

NOTE 18 - GRANT BALANCES AND GRANT CONDITIONS

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

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Uniform Guidance. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 19 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 20 - NEW ACCOUNTING PRONOUNCEMENTS

ASU (Accounting Standards Update) 2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities."* This ASU will simplify and improve how a not-for-profit organization classifies its net assets and presents expenses, as well as, the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Center is currently evaluating the impact this pronouncement will have on the presentation of the financial statements.

NOTE 21 - SUBSEQUENT EVENTS

Forgiveness of Debt

On September 7, 2018, Christus Health agreed to forgive the remaining principal amount of \$172,877.53 of a Promissory Note with David Raines Community Health Center, Inc. as of July 31, 2018. The amount of the forgiveness is reflected in the financial statements at June 30, 2018 as a reduction in notes payable and an addition in forgiveness of debt income.

Subsequent events have been evaluated through December 13, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2018

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Program:			
Health Centers Cluster			
Consolidated Health Centers	93.224	H80CS00720	\$ 620,475
Affordable Care Act Grants for New and Expanded Services Under the Health Centers Program	93.527	H80CS00720	<u>3,258,419</u>
Total Health Centers Cluster			<u>3,878,894</u>
Direct Program:			
Capital Development	93.526	C8BCS29720	<u>285,433</u>
			<u>285,433</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,164,327</u>
<u>U. S. Department of Agriculture</u>			
Pass Through State of Louisiana			
Department of Health and Hospitals			
Women, Infant & Children Grant (WIC)	10.557	720173	<u>255,332</u>
			<u>255,332</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,419,659</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of David Raines Community Health Center, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of David Raines Community Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of David Raines Community Health Center, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

INDIRECT COST RATE

David Raines Community Health Center, Inc. does not have indirect cost and has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

SUPPLEMENTARY INFORMATION

SCHEDULE A

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer
 For the Year Ended June 30, 2018

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

<u>Category</u>	<u>Amount</u>	<u>Total</u>
Salary	\$ 191,399	
Incentive pay - (bonus)	<u>21,486</u>	
Total salary		\$ 212,885
Benefits:		
Health insurance	3,034	
FICA/Medicare	11,107	
Retirement	<u>21,991</u>	
Total benefits		36,132
Travel:		
Conferences	1,392	
Airfare and lodging	1,069	
Per diem	<u>240</u>	
Total travel		<u>2,701</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>251,718</u>

SCHEDULE B

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 Combining Schedule of Support and Revenues
 For the Year Ended June 30, 2018

	HHS Section 330 Funds	WIC Program	Other Grants	Fundraising	Total
SUPPORT AND REVENUES:					
Support:					
Grants and contracts	\$ 4,164,326	255,332	465,184	-	\$ 4,884,842
Total Support	<u>4,164,326</u>	<u>255,332</u>	<u>465,184</u>	<u>-</u>	<u>4,884,842</u>
Revenue:					
Health care services, net of charity, bad debts and adjustments of \$10,921,602	6,874,077	-	-	-	6,874,077
Rental income	571	-	-	-	571
340B income	267,771	-	-	-	267,771
Forgiveness of debt income	172,878	-	-	-	172,878
Interest income	3,455	-	-	-	3,455
Other income	<u>383,036</u>	<u>-</u>	<u>-</u>	<u>43,597</u>	<u>426,633</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 11,866,114</u>	<u>255,332</u>	<u>465,184</u>	<u>43,597</u>	<u>\$ 12,630,227</u>



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

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of David Raines Community Health Center, Inc.'s (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of David Raines Community Health Center, Inc. in a separate letter dated December 13, 2018.

Purpose of this Report

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

Brown, Esq. & Co.

Ridgeland, Mississippi
December 13, 2018



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

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

Report on Compliance for Each Major Federal Program

We have audited David Raines Community Health Center, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of David Raines Community Health Center, Inc.'s major federal programs for the year ended June 30, 2018. David Raines Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Health Center Cluster, CFDA #93.224 Consolidated Health Centers and CFDA #93.527 Affordable Care Act Grant for New and Expanded Services Under the Health Center Program

As described in the accompanying schedule of findings and questioned costs, David Raines Community Health Center, Inc. did not comply with requirements regarding special tests and provisions (board compliance) of CFDA #93.224 Consolidated Health Centers and CFDA #93.527 Affordable Care Act Grant for New and Expanded Services Under the Health Center Cluster Program as described in finding number 2018-1. Compliance with such requirements is necessary, in our opinion, for David Raines Community Health Center, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Health Center Cluster Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, David Raines Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Health Center Cluster program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

David Raines Community Health Center, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. David Raines Community Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Brown, Engle & Co.

Ridgeland, Mississippi
December 13, 2018

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2018

Finding 2017-1

LATE SUBMISSION OF AUDIT REPORT

Condition

The audit report for the year ended June 30, 2017 was not submitted within the six (6) months after year end as required by the Louisiana Legislative Auditor.

STATUS: Corrected

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2018

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Federal programs identified as major programs:

NAME OF PROGRAM	CFDA NUMBER
Health Centers Cluster:	
Consolidated Health Centers	93.224
Affordable Care Act Grants for New and Expanded Services Under the Health Centers Program	93.527

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section 2 - Findings - Financial Statements Audit

NONE

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

Finding 2018-1

SPECIAL TESTS AND PROVISIONS (BOARD COMPLIANCE)

**U. S. Department of Health and Human Services
Consolidated Health Center Grant; CFDA #93.224 and #93.527**

Condition

During our review of the Board members that received medical services from the Center, we noted that the majority did not utilize the Center for medical or dental services.

Cause

The majority of Board members were not being served by the Center.

Effect

Non-compliance with grant provisions and guidelines.

Criteria

The Uniform Guidance Compliance Supplement, Department of Health and Human Services requirements for Special Test and Provisions outlined for the Governing Board. The Supplement states that the Organization must have a governing board that is composed of individuals which a majority of whom are being served by the Center.

Auditor's Recommendation

David Raines Community Health Center, Inc. should take the appropriate steps to ensure that the Center is in compliance with the Department of Health and Human Services requirements regarding the majority of the Governing Board being served by the Center .



December 20, 2018

Brown, Ewing, & Co., P.A.
Certified Public Accountants
308 Highland Park Cove
Ridgeland, MS 39157

Re: Findings and Questioned Costs

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

Criteria

The Uniform Guidance Compliance Supplement, Department of Health and Human Services requirements for Special Test and Provisions outlined for the Governing Board. The Supplement states that the organization must have a governing board that is composed of individual which a majority of whom are being served by the Center.

Management's Response

The Board of Directors would be re-educated on the Uniform Guidance requirement for health center utilization by board members. A process would be implemented to regularly monitor and report compliance with the utilization requirements by board members at regularly scheduled board meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Willie C. White, III".

Willie C. White, III
Chief Executive Officer

**DAVID RAINES COMMUNITY
HEALTH CENTER, INC.**

**AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED JUNE 30, 2018**



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

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana and the
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by David Raines Community Health Center, Inc. (DRCHC) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Collections

1. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

We obtained a list of six deposit sites from management and we randomly selected five deposit sites.

2. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

For each deposit sites, there is a collection location. We obtained a list of six collection locations from management and we randomly selected five collection locations.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

The existing cash management policy, and per inquiry with the Revenue Cycle Manager, ensures that the person responsible for collecting cash is not required to share the same cash envelope with another employee.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The existing cash management policy, and per inquiry with the Revenue Cycle Manager, ensures that the person responsible for collecting cash is not responsible for depositing the cash in the bank.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The existing cash management policy, and per inquiry with the Revenue Cycle Manager, ensures that the person responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The existing cash management policy, and per inquiry with the Revenue Cycle Manager, ensures that the person responsible for collecting cash is not responsible reconciling the related bank account.

3. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

We reviewed the ERISA Fidelity Bond Policy #106238119 with Travelers Casualty & Surety Company. The policy's limit is \$175,000. The policy period is from 2/12/15 until cancelled with an annual paid premium of \$304.

4. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Receipts are printed electronically from Nexgen and we haphazardly selected two deposits dates for the five selected collection locations.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

We traced the receipts from "Payments With Reason Code By Transaction" report and traced to the deposit slips.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

We traced the deposit slip to the actual deposit per the bank statement.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

We tested the date of receipt to the date of deposit for 10 items and found that 4 deposits were made more than one day after the day of collection.

Management Response:

Site managers, Revenue Cycle Manager and accounting personnel are re-educated on the requirement for all deposits collected to be deposited into the bank within one business day of receipt. Accounting personnel will routinely test the dates of deposit to dates of receipts and take immediate corrective action for variances.

- e) Trace the actual deposit per the bank statement to the general ledger.

We traced the actual deposit per the bank statement to the general ledger.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 5. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided a listing of all active credit cards, bank debit cards, and fuel cards, for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. We also obtained management's representation that the listing is complete.

- 6. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

The monthly/combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

There were no finance charges and late fees assessed on the selected statements.

- 7. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

We performed testing of randomly selected transactions for each statement and determined that all transactions were supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Payroll and Personnel

8. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select one pay period during the fiscal period for five employees/officials, obtain attendance records and leave documentation for the pay period, and:

We obtained a listing of employees employed during the fiscal period along with management's representation that the listing is complete.

We randomly selected one pay period during the fiscal period for five employees, obtained their attendance records and leave documentation for the pay period.

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We observed, for the selected employees, their daily attendance and leave records for the selected pay period.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

We observed that supervisors approved the attendance and leave of the selected employees.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

We observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records (Hours and Earnings Report).

Other

9. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We observed that the entity has posted on its premises, of the corporate office, and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. Per Ms. Myrtis Edwards, COO, all of the six clinical sites have the notice posted in a conspicuous location.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document

Brown, Eyring & Co.
Ridgeland, Mississippi
December 13, 2018

DAVID RAINES COMMUNITY HEALTH CENTER, INC.

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2018



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

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

In planning and performing our audit of the financial statements of David Raines Community Health Center, Inc., for the year ended June 30, 2018, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 9, 2018 on the financial statements of David Raines Community Health Center, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

SEPARATE COST CENTERS FOR NEW GRANTS

During the fiscal year under audit, the Center received grant funds in which separate cost centers had not been established.

In order to more clearly reflect activity on a grant-by-grant basis, we strongly suggest that the Center maintain separate cost centers for each new funding source. This practice will facilitate the reporting requirements for these new grants and assist in determining the funds expended for each of the separate grants.

Management's Plan of Corrective Action

A third party accounting firm has been engaged to advise and assist in establishing separate cost centers in the general ledger for each major grant awarded. Management anticipates this work to be completed by December 31, 2018.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Brown, Ewing & Co.
December 13, 2018