



**Desoto Healthcare
Center, Inc.**

Reviewed Financial Statements
Years Ended December 31, 2015 and 2014

Desoto Healthcare Center, Inc.

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Independent Accountant's Review Report

To the Board of Directors
Desoto Healthcare Center, Inc.
Mansfield, Louisiana

I have reviewed the accompanying statements of financial position of Desoto Healthcare Center, Inc. ("the Center") as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended and the related summary of significant accounting policies and notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Center's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Accountant's Responsibility

My responsibility is to conduct the review in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Accountant's Conclusion

Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Supplementary Information

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer on page 20 for the year ended December 31, 2015 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications

that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited and, accordingly, I do not express an opinion on such information.

James D. McElwain, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
February 5, 2018

Desoto Healthcare Center, Inc.

Statements of Financial Position

<i>December 31,</i>	2015	2014
Assets		
Current assets:		
Cash	\$ 4,007	\$ 32,221
Accounts receivable, net of allowance for doubtful accounts of \$51,127 and \$55,400	43,908	74,516
Prepaid expenses	-	2,069
Total current assets	47,915	108,806
Property and equipment, net (Note 2)	262,114	257,113
Total Assets	\$310,029	\$365,919
Liabilities and Net Assets		
Current Liabilities		
Accrued expenses	\$ 8,853	\$ 6,661
Current portion of long-term debt (Note 4)	10,395	9,858
Total current liabilities	19,248	16,519
Long-term debt (Note 4)	209,003	219,433
Total liabilities	228,251	235,952
Net assets:		
Temporarily restricted	21,696	21,696
Unrestricted	60,082	108,271
Total net assets	81,778	129,967
Total Liabilities and Net Assets	\$310,029	\$365,919

See accompanying independent accountant's review report, summary of significant accounting policies and notes to financial statements.

Desoto Healthcare Center, Inc.

Statements of Activities

<i>Years Ended December 31,</i>	2015	2014
Unrestricted net assets		
Unrestricted revenues and other support:		
Contractual revenue-grants (Note 1)	\$214,682	\$192,984
Medical service fees	166,937	215,023
Rent income	14,550	13,300
Other	10,560	4,515
Contributions	200	1,350
Electronic Health Record incentive payments	-	21,250
Assets released from restrictions	-	9,854
Total unrestricted revenues and other support	406,929	458,276
Expenses:		
Salary and benefits	288,560	273,569
Professional services	54,590	21,331
Payroll taxes	22,545	21,464
Insurance	17,711	11,122
Office supplies and expenses	16,549	11,948
Utilities	10,761	11,203
Interest expense	10,661	11,287
Medical service expenses	9,096	13,417
Depreciation and amortization	6,629	6,629
Billing expense	4,815	3,096
Licenses and permits	3,945	10,708
Travel and conferences	2,092	4,571
Bank fees and charges	2,057	5,781
Repairs and maintenance	2,091	4,266
Advertising and promotion	1,517	1,723
Other	610	1,212
Dues and memberships	495	1,224
Education and training	394	179
Bad debts	-	16,605
Property taxes	-	4,428
Total expenses	455,118	435,763

Continued

Desoto Healthcare Center, Inc.

Statements of Activities (Concluded)

<i>Years Ended December 31,</i>	2015	2014
Increase (decrease) in unrestricted net assets	(48,189)	22,513
Changes in temporarily restricted net assets:		
Government grants	-	31,550
Assets released from restrictions	-	(9,854)
Increase in temporarily restricted net assets	-	21,696
Increase (decrease) in net assets	(48,189)	44,209
Net assets - beginning of year	129,967	85,758
Net assets - end of year	\$ 81,778	\$129,967

See accompanying independent accountant's review report, summary of significant accounting policies and notes to financial statements.

Desoto Healthcare Center, Inc.

Statements of Cash Flows

<i>Years Ended December 31,</i>	2015	2014
Cash flows from operating activities:		
Change in net assets	\$(48,189)	\$ 44,209
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	6,629	6,629
Changes in operating assets and liabilities:		
Change in receivables	30,608	(17,016)
Change in prepaid expenses	2,069	(2,069)
Change in accounts payable and accrued expenses	2,192	6,661
Net cash provided (used) by operating activities	(6,691)	38,414
Cash flows from investing activities -		
Purchase of property and equipment	(11,630)	(5,200)
Net cash used by investing activities	(11,630)	(5,200)
Cash flows from financing activities -		
Payment of long-term debt	(9,893)	(9,267)
Net cash used by financing activities	(9,893)	(9,267)
Net increase (decrease) in cash	(28,214)	23,947
Cash at beginning of year	32,221	8,274
Cash at end of year	\$ 4,007	\$ 32,221

See accompanying independent accountant's review report, summary of significant accounting policies and notes to financial statements.

Desoto Healthcare Center, Inc.

Summary of Significant Accounting Policies

Nature of Activities

Desoto Healthcare Center, Inc. (the "Center"), is a nonprofit corporation organized under the laws of the State of Louisiana. The Center was established to improve quality of life by promoting the physical, mental, spiritual and emotional well-being of the residents of Desoto Parish Louisiana and surrounding area through the operation of a health care center. Substantially all of the Center's revenue is from grants provided by the U. S. Department of Health and Human Services, local government grants, service fees, and donations.

Basis of Accounting

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

Concentrations of Credit Risk

The majority of the Center's revenue comes from U. S. Department of Health and Human Services grants, local grants and service fees paid by users or their health insurance provider. The Center is therefore heavily dependent on the federal government for its operations.

Income Tax Status

As a nonprofit organization, the Center is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Center is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax exempt entity. It must also assess whether it has any tax positions associated with unrelated business income subject to income tax. The Center does not expect any of its tax positions to change significantly over the next twelve months. Any penalties related to late filings or other requirements would be recognized as penalties expense in the Center's accounting records.

The Center is required to file U.S. Federal Form 990 for informational purposes. Its Federal income tax filings for the tax years ended 2014 and beyond remain subject to examination by the Internal Revenue Service.

Desoto Healthcare Center, Inc.

Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates made by management are the collectability of recorded receivables and the useful lives of property and equipment.

Cash and Cash Equivalents

The Center's cash, as stated for cash flow purposes, consists of cash on hand and in demand deposits with financial institutions.

Property and Equipment

Property and equipment are stated at cost if purchased, or fair value if donated. Management's policy is to capitalize assets with useful lives greater than one year, regardless of cost. Depreciation and amortization are calculated using the straight-line method over the useful lives of the assets, ranging from three to forty years.

Revenue and Support

Contributions received may be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

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.

Desoto Healthcare Center, Inc.

Summary of Significant Accounting Policies (Concluded)

**Accounts
Receivable**

Accounts receivable are presented in the accompanying financial statement net of any allowance for doubtful accounts. At such time as a customer account becomes totally worthless, the account is written off as a charge against the allowance for doubtful accounts. Management periodically reviews past due accounts to determine if circumstances indicate that all, or a portion, of a customer account will not be collectible. Based on this assessment, management reserves that portion of the receivable deemed to be uncollectible. At December 31, 2015 and 2014, management had recorded an allowance for doubtful accounts of \$51,127 and \$55,400 respectively.

**Subsequent
Events**

Management evaluated events subsequent to the Organization's most recent year end through February 5, 2018, the financial statement issuance date.

Desoto Healthcare Center, Inc.

Notes to Financial Statements

1. Revenue and Support

During the years ended December 31, 2015 and 2014, the Center received contractual revenue from federal grants in the amounts of \$214,682 and \$192,984 respectively from the United States Department of Health and Human Services. Additionally, in the year ended December 31, 2014 the Center received \$31,550 in funding from the Desoto Parish Police Jury. The continued existence of these funds is based on periodic contract renewals with various funding sources; amounts renewed may differ significantly from those in existence at December 31, 2015 and 2014. All revenue from these grants is subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries; adjustments in future periods may be necessary as final grant settlements are determined.

2. Property and Equipment - (continued)

The major classifications of property and equipment as of December 31, 2015 and 2014 were as follows:

	2015	2014
Building and improvements	\$263,742	\$263,742
Construction in progress	11,630	-
	275,372	263,742
Accumulated depreciation and amortization	(13,258)	(6,629)
Property and equipment, net	\$262,114	\$257,113

Depreciation and amortization expense for property and equipment totaled \$6,629 and \$6,629 for the years ended December 31, 2015 and 2014 respectively.

3. Related Party Transactions

The Center paid the husband of the Center's executive director \$1,161 and \$5,200 for improvements to the Center's building for the years ending December 31, 2015 and 2014 respectively. Additionally, \$33,000 of long-term debt as identified in note 4 relates to funds loaned to the Center by the executive director in 2013 at zero percent interest payable as sufficient cash flows permit.

Desoto Healthcare Center, Inc.

Notes to Financial Statements (Concluded)

4. Note Payable

Note payable consists of the following at December 31, 2015 and 2014:

	2015	2014
5.5% note payable to bank, due in 59 monthly payments of \$1,713, including interest, beginning September 2013 and one final payment of \$158,959 in August 2018; collateralized by land and building.	\$186,398	\$196,291
Zero percent unsecured note payable to the executive director with no repayment timeline specified.	33,000	33,000
	219,398	229,291
Less: Current maturities	(10,395)	(9,858)
Long-term debt	\$209,003	\$219,433

Maturities of long-term debt over the next five years are as follows: 2016 - \$10,395; 2017 - \$11,019; 2018 - \$164,984.

5. Supplemental Cash Flows

Cash paid for interest during 2015 and 2014 totaled \$10,661 and \$11,287 respectively.

Supplemental Material





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Independent Accountant’s Report on Applying Agreed-Upon Procedures

To the Board of Directors
 Desoto Healthcare Center, Inc.
 Shreveport, Louisiana

I have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of Desoto Healthcare Center, Inc. (the “Center”) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management’s assertions about the Center’s compliance with certain laws and regulations during the year ended December 31, 2015 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with 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 the report. Consequently, I 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.

Federal and State Awards

1. Determine the amount of federal, state and local award billings for the fiscal year, by grant, and grant year.

The Center’s federal and state award billings for all programs for the fiscal year follow:

Award	Period	Revenue
United States Department of Health and Human Services – Small Health Care Provider Quality Improvement	8/1/2014-7/31/2015	\$111,054
United States Department of Housing and Urban Development	9/1/2014-8/31/2015	49,741
United States Department of Health and Human Services – Small Health Care Provider Quality Improvement	8/1/2015-7/31/2016	27,930
United States Department of Health and Human Services – Small Health Care Provider Quality Improvement	9/1/2013-7/31/2014	10,585
United States Department of Health and Human Services ACE OEE Supplemental Grant	8/1/2014-7/31/2015	10,582
Other		4,790
Total billings		\$214,682

2. For the United States Department of Health and Human Services – Small Health Care Provider Quality Improvement Grants, I randomly selected six drawdowns during the year ended December 31, 2015.
3. For the items selected in Procedure 2, I traced the disbursements to supporting documentation as to proper amount and payee.
 - 3.1. With respect to the United States Department of Health and Human Services – Small Health Care Provider Quality Improvement Grants I selected for testing, I noted the following:
 - 3.1.1. A total of \$37,590 in drawdowns were tested. Of these, only \$37,123 were supported by payroll records or appropriate receipts.
 - 3.2. Please see findings included in the Schedule of Findings on page 19.
4. For the items selected in Procedure 2, I determined if the associated disbursements were properly coded to the correct fund and general ledger account.

All payments were properly coded to the correct fund and general ledger account.

5. For the items selected in Procedure 2, I determined whether the associated disbursements received approval from proper authorities.

All items were properly approved.

6. For the items selected in Procedure 2, I determined whether the associated disbursements complied with the grant agreement, relating to:

Activities allowed or unallowed - I reviewed the associated disbursements for types of services allowed or not allowed. The associated disbursements complied with the allow ability requirements.

Eligibility – There were no associated eligibility requirements.

Reporting – There were no associated reporting requirements.

Meetings

7. I requested evidence indicating that agendas for meetings recorded in the minute book were posted as required by LSA-RS 42:1 through 42:12.

The Center posts meeting agendas and makes the meetings open to the public.

Comprehensive Budget

8. For all grants exceeding five thousand dollars, I determined that each applicable federal or state grantor agency was provided with a comprehensive budget of those grants that included the purpose and duration.

The Center provided comprehensive budgets to the applicable Federal grantor agencies for the programs mentioned previously. These budgets specified the anticipated uses of the funds, estimates of the duration of the projects, and plans showing specific goals and objectives that included measures of performance.

Prior Comments and Recommendations

9. Please see page 21 for a Schedule of Prior Year Findings and Responses.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of Desoto Healthcare Center, Inc., the Legislative Auditor (State of Louisiana), and the applicable state grantor agencies, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant

Shreveport, Louisiana
February 5, 2018

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

June 18, 2016

James K. McClelland, CPA LLC
8585 Business Park Drive
Shreveport, LA 71105

In connection with your review of our financial statements as of December 31, 2015 and for the period then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representation).

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes No

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes No

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes No

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes No

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/llala.nsf>, to determine whether a non-profit agency is subject to the open meetings law.**

Yes No

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes No

Reporting

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes No

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

<u>Karen Sims - Evans</u>	Secretary	<u>2/16/17</u>	Date
<u>Daralden Anthony</u>	Treasurer	<u>2/16/17</u>	Date
<u>Fred Jones</u>	President	<u>2/16/17</u>	Date

Desoto Healthcare Center, Inc.

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

Year Ended December 31, 2015

Detries Morris, CEO

Salary	\$91,778
Benefits – insurance	-
Benefits – retirement	-
Deferred compensation contributions	-
Car allowance	-
Vehicle	-
Cell phone	-
Dues	135
Vehicle rental	-
Per diem	150
Reimbursements	463
Travel	82
Registration fees	-
Conference travel	842
Housing	-
Unvouchered expenses	-
Special meals	-
	\$93,450

Desoto Healthcare Center, Inc.

Schedule of Findings and Responses Year ended December 31, 2015

2015-001 Timely Filing of Financial Statements

Criteria - Pursuant to LA R.S. 24:513, the annual report for the year ended December 31, 2015 was required to be filed by June 30, 2016.

Condition - The DeSoto Health Care Center (the "Center") did not file annual report for the year ended December 31, 2015 on or before June 30, 2016, the statutory due date.

Cause - The Center relies on outside accountant who was unable to complete the general ledger until late June 2016.

Effect - The Center was not in compliance with LA R.S. 24:513.

Recommendation - The Center should implement procedures to ensure timely filing of its annual statements.

Management's response - Management agrees with this finding and will implement procedures to ensure timely filing of its report.

2015-002 Questioned Costs – Activities Allowed or Unallowed

Program Affected - Small Health Care Provider Quality Improvement, CAFA 93.912, U.S Department of Health and Human Services.

Criteria - Pursuant to 42 U.S.C. 254c(g) funds may be used for the planning and implementation of small health care provider quality improvement activities.

Condition - During my testing of program-related expenses, I noted that the Center drew down \$467 from the grantor in excess of allowable costs for the sample tested.

Cause - Management incorrectly estimated the amount of expenditures to be incurred prior to the drawdown of funds.

Desoto Healthcare Center, Inc.

Schedule of Findings and Responses Year ended December 31, 2015

Continued

Effect - The Center drew down funds in excess of those required.

Recommendation - Management should implement procedures to ensure only funds sufficient for the allowable costs are drawn down from the grantor.

Management's response - Management agrees with this finding and has implemented accounting procedures to ensure funds drawn down from the grantor do not exceed allowable costs

2015-003 – Use of Restricted Funds

Criteria - Accounting principles generally accepted in the United States of America require not-for-profits entities to utilize donor-restricted funds in activities that meet the purpose for which the funds were contributed.

Condition - At December 31, 2015, DeSoto Healthcare Center, Inc. did not have sufficient funds on hand to equal its temporarily restricted fund balances.

Cause - The reason for the low funds at year end was the typical year-end cash flow problem experienced by many not-for-profit entities.

Effect - DeSoto Healthcare Center, Inc. did not have sufficient funds on hand to equal its temporarily restricted fund balances.

Recommendation - Management should develop and implement a plan to replace restricted funds used for unrestricted purposes. Additionally, management should implement controls to prevent restricted funds from being used for unrestricted purposes in the future.

Desoto Healthcare Center, Inc.

Schedule of Findings and Responses Year ended December 31, 2015

Concluded

Management's Response and Plan of Corrective Action - Management agrees with the findings and has secured a bank line of credit from which to fund operations so as to have sufficient cash to equal temporarily restricted fund balances

Desoto Healthcare Center, Inc.

Schedule of Prior Year Findings and Responses

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Findings	Corrective Action Taken	Corrective Action/Partial Corrective Action Taken
2014-001	2014	Timely Filing of Financial Statements	No	Repeated as Finding 2015-001
2014-002	2014	Questioned Costs – Activities Allowed or Unallowed	No	Repeated as Finding 2015-002
2014-003	2014	Questioned Costs – Reported Expenditures	No	DeSoto Healthcare Center, Inc. has not returned the unused fund to the grantor agency but has reported the retained funds as temporarily restricted nets assets in these financial statements.