

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

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019

(With Summarized Financial Information for 2018)

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
June 30, 2019
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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, 2019 and 2018, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 20 - 21 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 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 November 22, 2019, 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.

Brown, S. J. & Co.

Ridgeland, Mississippi
November 22, 2019

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2019
(With Summarized Financial Information for 2018)

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 559,661	\$ 270,915
Certificates of deposit	300,115	300,000
Patient care receivables, less allowance of \$276,729 for doubtful accounts	511,457	545,098
Grants receivable	52,185	39,980
Accounts receivable - other	106,090	15,667
Inventory - pharmacy	150,523	63,173
Prepaid expenses	-	10,215
Total Current Assets	<u>1,680,031</u>	<u>1,245,048</u>
Fixed Assets:		
Land	78,959	78,959
Building and improvements	5,055,212	5,055,212
Furniture and equipment	2,204,473	2,197,628
Vehicles	<u>547,905</u>	<u>473,854</u>
	7,886,549	7,805,653
Less: Accumulated depreciation	<u>(4,129,745)</u>	<u>(3,847,443)</u>
Net Fixed Assets	<u>3,756,804</u>	<u>3,958,210</u>
Other Assets:		
Deposits	<u>2,200</u>	<u>2,200</u>
TOTAL ASSETS	<u>\$ 5,439,035</u>	<u>\$ 5,205,458</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2019
(With Summarized Financial Information for 2018)

<u>LIABILITIES AND NET ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Liabilities:		
Accounts payable	\$ 200,153	\$ 220,692
Line of credit payable	400,253	437,163
Salaries payable	300,039	277,582
Accrued annual leave	254,644	284,265
Other current liabilities	54,130	55,000
Current portion of long term debt	<u>27,702</u>	<u>25,798</u>
Total Current Liabilities	<u>1,236,921</u>	<u>1,300,500</u>
Long-Term Liabilities		
Notes payable, net of current portion	<u>12,755</u>	<u>47,156</u>
Total Long-Term Liabilities	<u>12,755</u>	<u>47,156</u>
Total Liabilities	<u>1,249,676</u>	<u>1,347,656</u>
Net Assets without Donor Restrictions:		
Undesignated (Operating)	1,497,058	1,034,096
Section 329/330(d) reserve	300,000	300,000
Fixed assets	2,322,301	2,523,706
Net Assets with Donor Restrictions	<u>70,000</u>	<u>-</u>
Total Net Assets	<u>4,189,359</u>	<u>3,857,802</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,439,035</u>	<u>\$ 5,205,458</u>

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

EXHIBIT II

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Operations and Changes In Net Assets
For the Year Ended June 30, 2019
(With Summarized Financial Information for 2018)

	<u>Without Donor Restrictions</u>			<u>2019</u>	<u>2018</u>
	<u>Operations</u>	<u>Fixed Assets</u>	<u>With Donor Restrictions</u>		
SUPPORT AND REVENUES					
Support:					
Grants and contracts	\$ 4,613,210	-	70,000	\$ 4,683,210	\$ 4,884,842
Total Support	<u>4,613,210</u>	<u>-</u>	<u>70,000</u>	<u>4,683,210</u>	<u>4,884,842</u>
Revenue:					
Health care services, net of charity, bad debts and contractual adjustments of \$10,037,744	7,631,545	-	-	7,631,545	6,874,077
340B income	166,319	-	-	166,319	267,771
Forgiveness of debt income	-	-	-	-	172,878
Interest income	14,697	-	-	14,697	3,455
Rental income	190	-	-	190	571
Other income	651,369	-	-	651,369	426,633
Total Revenue	<u>8,464,120</u>	<u>-</u>	<u>-</u>	<u>8,464,120</u>	<u>7,745,385</u>
TOTAL SUPPORT AND REVENUES	<u>13,077,330</u>	<u>-</u>	<u>70,000</u>	<u>13,147,330</u>	<u>12,630,227</u>
EXPENSES					
Program Services					
Health care services	7,084,234	-	-	7,084,234	6,087,835
Community services	100,601	-	-	100,601	137,902
Total Program Services	<u>7,184,835</u>	<u>-</u>	<u>-</u>	<u>7,184,835</u>	<u>6,225,737</u>
Supporting Services					
Management and general	5,333,811	282,302	-	5,616,113	5,826,750
Fundraising	14,825	-	-	14,825	29,743
Total Supporting Services	<u>5,348,636</u>	<u>282,302</u>	<u>-</u>	<u>5,630,938</u>	<u>5,856,493</u>
TOTAL EXPENSES	<u>12,533,471</u>	<u>282,302</u>	<u>-</u>	<u>12,815,773</u>	<u>12,082,230</u>
Change in Net Assets	543,859	(282,302)	70,000	331,557	547,997
Net Assets, Beginning of Year	1,334,096	2,523,706	-	3,857,802	3,309,805
Other changes in net assets					
Acquisition of fixed assets	(80,897)	80,897	-	-	-
	<u>(80,897)</u>	<u>80,897</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 1,797,058</u>	<u>2,322,301</u>	<u>70,000</u>	<u>\$ 4,189,359</u>	<u>\$ 3,857,802</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Summarized Financial Information for 2018)

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>		<u>2019</u>	<u>2018</u>
	<u>Health Care Services</u>	<u>Community Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Personnel	\$ 4,142,129	97,702	4,239,831	3,333,087	-	\$ 7,572,918	\$ 7,247,845
Fringe benefits	429,293	1,737	431,030	560,465	-	991,495	881,848
Travel	12,186	-	12,186	72,003	-	84,189	57,742
Supplies	1,240,114	887	1,241,001	133,620	-	1,374,621	1,150,981
Equipment rental	-	-	-	36,974	-	36,974	33,394
Contractual	1,057,681	-	1,057,681	35,777	-	1,093,458	1,014,559
Legal	-	-	-	5,793	-	5,793	12,030
Dues and subscriptions	23,334	-	23,334	9,166	-	32,500	50,601
Utilities	-	-	-	104,930	-	104,930	105,142
Repairs and maintenance	100,786	-	100,786	386,782	-	487,568	458,536
Insurance	-	-	-	121,734	-	121,734	75,812
Staff recruitment	200	-	200	43,573	-	43,773	22,312
Public relations	22,688	-	22,688	72,354	-	95,042	40,790
Security	-	-	-	21,830	-	21,830	34,973
Training and development	26,440	275	26,715	10,709	-	37,424	75,768
Telephone	-	-	-	210,781	-	210,781	316,320
Postage	-	-	-	8,779	-	8,779	9,268
Printing	314	-	314	2,332	-	2,646	2,565
Space cost	-	-	-	38,379	-	38,379	40,438
Interest	-	-	-	37,710	-	37,710	32,777
Bank charges	16,681	-	16,681	9,318	-	25,999	22,959
Food and beverage	6,072	-	6,072	10,514	-	16,586	21,056
Board expenses	-	-	-	5,994	-	5,994	14,434
Fundraising	-	-	-	-	14,825	14,825	29,743
Property and other taxes	-	-	-	44,447	-	44,447	40,409
Other	6,316	-	6,316	16,760	-	23,076	23,249
Total expenses before depreciation	7,084,234	100,601	7,184,835	5,333,811	14,825	12,533,471	11,815,551
Depreciation	-	-	-	282,302	-	282,302	266,679
Total Expenses	<u>\$ 7,084,234</u>	<u>100,601</u>	<u>7,184,835</u>	<u>5,616,113</u>	<u>14,825</u>	<u>\$ 12,815,773</u>	<u>\$ 12,082,230</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, 2019
(With Summarized Financial Information for 2018)

CASH FLOWS USED FOR OPERATING ACTIVITIES:

	<u>2019</u>	<u>2018</u>
Changes in Net Assets	\$ 331,557	\$ 547,997
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	282,302	266,679
Decrease (increase) in:		
Patient care receivables	33,641	(140,028)
Inventory	(87,350)	34,022
Other receivable	(90,423)	9,679
Grants receivable	(12,205)	38,840
Prepaid expenses	10,219	441
Increase (decrease) in:		
Accounts payable	(20,539)	(19,042)
Other payroll deductions payable	-	(1,477)
Other liabilities	(871)	(68,484)
Accrued annual leave	(29,621)	17,963
Accrued salary payable	<u>22,455</u>	<u>32,080</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>439,165</u>	<u>718,670</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of interest reinvested	(115)	-
Acquisition of fixed assets	<u>(80,897)</u>	<u>(446,951)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(81,012)</u>	<u>(446,951)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on line of credit	(36,910)	(98,029)
Principal payments on notes payable	<u>(32,497)</u>	<u>(289,564)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(69,407)</u>	<u>(387,593)</u>
NET INCREASE (DECREASE) IN CASH	288,746	(115,874)
CASH, BEGINNING OF YEAR	<u>270,915</u>	<u>386,789</u>
CASH, END OF YEAR	<u>\$ 559,661</u>	<u>\$ 270,915</u>
 <u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest expense	<u>\$ 37,710</u>	<u>\$ 32,777</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2019

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 operations according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the Organization is required to present a statement of functional expenses and cash flows.
- 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 net assets without donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions 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 Operations and Changes in Net Assets and in the Statement of Functional Expenses. Certain costs attributable to more than one function have been allocated based on various methods including square footage and percent of time dedicated to each function.
- 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, 2019

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 net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Statement of Operations and Changes in Net Assets 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, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- O. Classification of Net Assets - Net Assets of DRCHC are classified based on the presence or absence of donor-imposed restrictions. Net Assets are comprised of two groups as follows:
- a) Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
 - b) Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may need to be maintained in perpetuity.

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	\$ 559,661	\$ 559,661
Certificates of deposit	\$ 300,115	\$ 300,115
Financial liabilities:		
Notes payable	\$ 40,457	\$ 40,457
Line of credit payable	\$ 400,253	\$ 400,253

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, 2019, the Center had an uninsured cash balance of \$360,375. 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.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2019

NOTE 5 - LIQUIDITY AND AVAILABILITY

David Raines Community Health Centers, Inc. ("Organization") maintains liquid financial assets to cover seventeen (17) days of general expenditures as of June 30, 2019. The Organization manages its liquidity and reserves following three guiding principles: to operate with financial prudence and stability; to maintain adequate liquid assets to meet short-term operating needs; and to maintain sufficient liquid assets to ensure that long-term obligations are properly met.

The Organization maintains a target balance of net assets without donor restrictions of 15 to 30 days of expected general expenditures. To achieve this target, the Organization forecasts its future cash flows on a daily basis and monitors liquidity daily and monthly. Cash reserves invested are monitored and evaluated quarterly. Financial assets in excess of daily cash requirements are invested in certificates of deposit. The Organization also maintains an open line of credit with Capital One Bank.

The following table reflects the Organization's financial assets as of June 30, 2019 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date either because of contractual restrictions or internal board designations. Contractual and donor restrictions include \$70,000 donated from community organizations that are specifically intended for financing of a new school based health center. Internal board designations of \$55,000 may be drawn upon as needed either through board resolution or executive authorization. These internal board designations include funds reserved for probable take backs from overpayments received from United Health Care.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019
Cash and cash equivalents	\$ 559,661
Certificates of Deposit	300,115
Patient receivable	427,202
Pharmacy receivable	84,255
Grants Receivable	52,185
Total financial assets	1,423,418
Board-designated funds	(55,000)
Donor restricted funds for SBHC	(70,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,298,418

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2019

NOTE 6 - PATIENT & PHARMACY RECEIVABLES AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Patient and pharmacy accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at June 30, 2019:

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 129,739
Government	363,764
Other	<u>294,683</u>
	<u>\$ 788,186</u>

Allowance for doubtful accounts is summarized as follows at June 30, 2019

<u>Allowance :</u>	<u>Amount</u>
Patients	\$ 57,679
All Other	<u>219,050</u>
	<u>\$ 276,729</u>

NOTE 7 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at June 30, 2019:

<u>Patient Service Revenue</u>	<u>Amount</u>
Patient Service Revenue	\$ 17,669,289
Less: Contractual adjustment under third-party reimbursement program and discounts	(9,605,961)
Provision for bad debts	<u>(431,783)</u>
Net Patient Service Revenue	<u>\$ 7,631,545</u>

NOTE 8 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation at June 30, 2019:

<u>Assets</u>	<u>Cost</u>
Land	\$ 78,959
Buildings and Improvements	5,055,212
Furniture and Equipment	2,204,473
Vehicles	<u>547,905</u>
Total Fixed Assets	7,886,549
Less: Accumulated Depreciation	<u>(4,129,745)</u>
Net Fixed Assets	<u>\$ 3,756,804</u>

Depreciation expense for the year ended June 30, 2019 amounted to \$282,302.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2019

NOTE 9 - 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 2016, 2017, and 2018 are subject to examination by the federal, state, and local taxing authorities, generally for three years after they are filed.

NOTE 10 - 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 \$36,421.

NOTE 11 - COMMITMENT AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at June 30, 2019 in the amount of \$254,644 is included in the financial statements. See Note 2.J. above.

NOTE 12 - 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	7/1/18 - 6/30/19	\$ 4,007,958
Christus Health Grant	N/A	7/1/18-6/30/19	83,420
Louisiana Clinical Services(School Based Clinics)	N/A	7/1/18-6/30/19	221,242
Louisiana State Department of Health and Hospitals (WIC)	720173	7/1/18-6/30/19	329,310
Amerigroup Corporation	N/A	7/1/18-6/30/19	30,000
United Way	N/A	7/1/18-6/30/19	8,780
Louisiana Primary Care Association	N/A	7/1/18-6/30/19	2,500
TOTAL			<u>\$ 4,683,210</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2019

NOTE 13 - LONG-TERM NOTES PAYABLE

Notes payable consist of the following at June 30, 2019:

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	\$ <u>40,457</u>
TOTALS	40,457
Less: Current portion	(27,702)
Total Long-Term Debt	\$ <u><u>12,755</u></u>

Maturities of long-term debt are as follows:

	Principal	Interest	Total
FY 2020	\$ 27,702	1,565	\$ 29,267
FY 2021	<u>12,755</u>	<u>140</u>	<u>12,895</u>
Totals	<u><u>40,457</u></u>	<u><u>1,705</u></u>	<u><u>42,162</u></u>

NOTE 14 - BANK LINE OF CREDIT PAYABLE

David Raines Community Health Center, Inc. has available a secured line-of-credit agreement dated October 17, 2018 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 6.3%. As of June 30, 2019, David Raines Community Health Center, Inc.'s outstanding balance on the line-of-credit was \$400,253.

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions subject to expenditures for a specified purpose are as follows at June 30, 2019:

School Based Health Clinic	
Christus Health Foundation -	\$ 40,000
Amerigroup Corporation	<u>30,000</u>
TOTALS	\$ <u><u>70,000</u></u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2019

NOTE 16 - 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 17 - 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, 2019, advertising cost totaled \$96,557.

NOTE 18 - 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.

NOTE 19 - 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 20 - 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, 2018, from which the summarized information was derived.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2019

NOTE 21 - 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 simplifies and improves 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 were applied retrospectively to all periods presented and had no impact on the presentation of the financial statements.

NOTE 22 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 22, 2019, 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, 2019

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	\$ 870,692
Affordable Care Act Grants for New and Expended Services Under the Health Centers Program	93.527	H80CS00720	<u>3,137,266</u>
Total Health Centers Cluster			<u>4,007,958</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,007,958</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>329,310</u>
			<u>329,310</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,337,268</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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, 2019. 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, 2019

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	\$ 197,476	
Incentive pay - (bonus)	<u>22,346</u>	
Total salary		\$ 219,822
Benefits:		
Health insurance	2,887	
FICA/Medicare	11,554	
Retirement	<u>21,991</u>	
Total benefits		36,432
Travel:		
Conferences	3,088	
Airfare and lodging	1,604	
Per diem	<u>720</u>	
Total travel		<u>5,412</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>261,666</u>

SCHEDULE B

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 Combining Schedule of Support and Revenues
 For the Year Ended June 30, 2019

	<u>HHS Section 330 Funds</u>	<u>WIC Program</u>	<u>Other Grants</u>	<u>Fundraising</u>	<u>Total</u>
SUPPORT AND REVENUES:					
Support:					
Grants and contracts	\$ <u>3,960,383</u>	<u>329,310</u>	<u>293,742</u>	<u>-</u>	\$ <u>4,583,435</u>
Total Support	<u>3,960,383</u>	<u>329,310</u>	<u>293,742</u>	<u>-</u>	<u>4,583,435</u>
Revenue:					
Health care services, net of charity, bad debts and adjustments of \$10,037,744	7,631,545	-	-	-	7,631,545
Rental income	190	-	-	-	190
340B income	166,319	-	-	-	166,319
Interest income	14,697	-	-	-	14,697
Other income	<u>626,962</u>	<u>-</u>	<u>-</u>	<u>24,407</u>	<u>651,369</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 12,400,096</u>	<u>329,310</u>	<u>293,742</u>	<u>24,407</u>	<u>\$ 13,047,555</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, 2019, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

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. 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 November 22, 2019.

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, Egert Co.

Ridgeland, Mississippi
November 22, 2019



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

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.
Laurel, Mississippi

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, 2019. 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 terms and condition 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.

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended June 30, 2019.

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.

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, Eggen & Co.

Ridgeland, Mississippi
November 22, 2019

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2019

Finding 2018-1

SPECIAL TESTS AND PROVISIONS (BOARD COMPLIANCE)

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.

STATUS: Corrected

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2019

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: | Unmodified |
| 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)? | None |
| 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, 2019

Section 2 - Findings - Financial Statements Audit

NONE

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

NONE

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

AGREED UPON PROCEDURES REPORT

FOR THE YEAR ENDED JUNE 30, 2019



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, 2018 through June 30, 2019. 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:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - ◆ ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

David Raines Community Health Center has a Disaster Recovery/Business Continuity policy in place for medical and non-medical data.

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 (along with management's representation that the list was complete) and we 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 one collection location. We obtained a list of six collection locations from management (along with management's representation that the list is complete) and we randomly selected five collection locations.

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

Per inquiry with the Revenue Cycle Manager the existing cash management policy 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.

Per inquiry with the Revenue Cycle Manager the existing cash management policy 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.

Per inquiry with the Revenue Cycle Manager the existing cash management policy 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 Fidelity Bond Policy with Travelers Casualty & Surety Company and determined that all employees who have access to cash are covered by a bond or insurance policy for theft.

4. Randomly select two deposit dates for each of the entity's main operating account (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 from the entity's one main operating account.

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

We traced the two selected deposits to the "Payments With Reason Code By Transaction" report and to the bank 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 and found that all deposits were made in a timely manner.

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.

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, Eyr & Co.

Ridgeland, Mississippi
November 19, 2019