

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

**Financial and Compliance Report
May 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying statements of SWLA Center for Health Services, (a non-profit organization), which comprise the statement of financial position as of May 31, 2015, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SWLA Center for Health Services as of May 31, 2015, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the SWLA Center for Health Services' May 31, 2014 financial statements and my report dated November 19, 2014, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the fiscal year ended May 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Schedule of Compensation, Benefits and Other Payments, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 21, 2015, on my consideration of SWLA Center for Health Services' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SWLA Center for Health Services' internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
October 21, 2015

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Financial Position
As of May 31, 2015
With Summarized Comparative Totals as of May 31, 2014

Assets	2015	2014
Current Assets		
Cash and cash equivalents	\$ 2,121,790	\$ 2,789,182
Patient accounts receivable, net	1,097,292	781,542
Other receivables	156,839	20,947
Supplies inventory	88,582	155,768
Prepaid expenses	116,894	122,137
Deposits	-	34,209
	3,581,397	3,903,785
Property, Plant and Equipment		
Furniture and equipment	4,271,063	4,167,370
Building and improvements	12,704,019	12,674,286
Automobiles	82,437	82,437
	17,057,519	16,924,093
Less accumulated depreciation	(6,056,072)	(5,188,337)
	11,001,447	11,735,756
Land	735,727	735,748
Construction in progress	110,566	110,566
	11,847,740	12,582,070
Other Assets		
Cash and cash equivalents - restricted	400,000	400,000
LA Partnership for Choice and Access, LLC	46,806	46,806
Total Other Assets	446,806	446,806
Total Assets	\$ 15,875,943	\$ 16,932,661

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Financial Position (Continued)
As of May 31, 2015
With Summarized Comparative Totals as of May 31, 2014

	<u>2015</u>	<u>2014</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 605,332	\$ 722,024
Accrued vacation and payroll	469,174	328,007
Payroll taxes payable	17,734	95,625
Sales tax payable	1,303	1,577
Accrued interest payable	23,957	18,485
Current portion of long-term debt	22,003	21,358
Loan payable to LPCA	125,000	125,000
	<u>1,264,503</u>	<u>1,312,076</u>
Long Term Liabilities		
Notes payable - net of current portion	<u>353,896</u>	<u>375,922</u>
	<u>1,618,399</u>	<u>1,687,998</u>
Net Assets		
Unrestricted net assets	<u>14,257,544</u>	<u>15,244,663</u>
Total Net Assets	<u>14,257,544</u>	<u>15,244,663</u>
	<u>\$ 15,875,943</u>	<u>\$ 16,932,661</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Activities
For the Year Ended May 31, 2015
With Summarized Comparative Totals for the Year Ended May 31, 2014

	<u>2015</u>	<u>2014</u>
Revenue and Support - Unrestricted		
Revenue:		
Gross patient service revenue	\$ 12,959,098	\$ 11,875,727
Less: contractual allowances and discounts	(4,431,981)	(4,305,432)
	<u>8,527,117</u>	<u>7,570,295</u>
Less: provision for uncollectible accounts	(581,599)	(315,309)
Net patient service revenue	<u>7,945,518</u>	<u>7,112,665</u>
Support and other income:		
Grant awards	4,204,895	3,614,401
Contributions	19,708	31,100
Gain (loss) on LA Partnership for Choice & Access, LLC	-	(3,548)
Interest income	3,851	20,925
In-kind donations	467,721	-
Other income	<u>1,054,106</u>	<u>188,028</u>
 Total Support	 <u>5,750,281</u>	 <u>3,850,906</u>
 Total Revenue and Support - Unrestricted	 <u>13,695,799</u>	 <u>10,963,571</u>
 Expenses		
Program services	9,808,156	8,754,899
General and administrative	<u>4,874,762</u>	<u>4,182,049</u>
 Total Expenses	 <u>14,682,918</u>	 <u>12,936,948</u>
 Change in Net Assets - Unrestricted	 <u>(987,119)</u>	 <u>(1,973,377)</u>
 Unrestricted Net Assets - Beginning of Year	 <u>15,244,663</u>	 <u>17,218,040</u>
 Unrestricted Net Assets - End of Year	 <u>\$ 14,257,544</u>	 <u>\$ 15,244,663</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Cash Flows
For the Year Ended May 31, 2014
With Summarized Comparative Totals for the Year Ended May 31, 2013

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ (987,119)	\$ (1,973,377)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	867,736	887,770
(Gain) loss on investment	-	3,548
Change in allowance for doubtful accounts	554,145	459,287
(Increase) decrease in accounts receivable	(869,895)	(243,613)
Other	(135,871)	20,823
(Increase) decrease in supplies inventory	67,186	(1,158)
(Increase) decrease in prepaid expenses	5,243	(88,355)
(Increase) decrease in deposits	34,209	(75)
Increase (decrease) in accounts payable	(116,692)	66,851
Increase (decrease) in accrued vacation and payroll	141,167	7,680
Increase (decrease) in other payables	(72,693)	30,123
	<u>(512,584)</u>	<u>(830,496)</u>
Cash Flows From Investing Activities		
Fixed asset acquisitions	(133,427)	(528,024)
	<u>(133,427)</u>	<u>(528,024)</u>
Cash Flows From Financing Activities		
Proceeds from loans	-	400,000
Principal payments on loans	(21,381)	(2,720)
	<u>(21,381)</u>	<u>397,280</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(667,392)	(961,240)
Cash and Cash Equivalents - Beginning of Year	3,189,182	4,150,422
Cash and Cash Equivalents - End of Year	<u>\$ 2,521,790</u>	<u>\$ 3,189,182</u>
Cash and Cash Equivalents:		
Cash - unrestricted	\$ 2,121,790	\$ 2,789,182
Cash - designated and restricted	400,000	400,000
	<u>\$ 2,521,790</u>	<u>\$ 3,189,182</u>
Supplemental Disclosure:		
Interest paid	<u>\$ 13,283</u>	<u>\$ 5,241</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Schedule of Functional Expenses
For the Year Ended May 31, 2015
With Summarized Comparative Totals for the Year Ended May 31, 2014

	Program Services	Supporting Services	Total	
		General and Administrative	2015	2014
Salaries	5,352,630	\$ 1,611,781	\$ 6,964,411	\$ 5,945,614
Fringe benefits	500,265	383,462	883,727	725,448
Payroll taxes	358,134	136,189	494,323	436,492
Consultants and contractual services	1,720,199	856,425	2,576,624	2,653,088
Supplies	792,609	152,673	945,282	1,044,487
Dues and subscriptions/printing	29,338	25,072	54,410	50,090
Maintenance and repairs	60,097	155,290	215,387	156,502
Telephone	69,137	59,780	128,917	94,006
Postage	12,786	16,610	29,396	25,693
Insurance	51,875	32,398	84,273	73,603
Travel, seminars and education	105,659	32,362	138,021	80,292
Taxes and licenses	18,269	7,990	26,259	28,097
Utilities	310	261,057	261,367	241,972
Interest	18,447	308	18,755	10,554
Legal and professional	331	233,976	234,307	203,564
Rent	2,340	101,428	103,768	104,280
In-kind donations (vaccines)	467,721	-	467,721	-
Miscellaneous	44,374	27,830	72,204	69,698
Service charges	133	28,427	28,560	23,796
Vehicle expense	159	17,285	17,444	14,372
Recruitment cost	56,532	13,494	70,026	67,530
Total expenses before depreciation	9,661,345	4,153,837	13,815,182	12,049,178
Depreciation and amortization	146,811	720,925	867,736	887,770
Total expenses	\$ 9,808,156	\$ 4,874,762	\$ 14,682,918	\$ 12,936,948

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements
May 31, 2015

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

Nature of Activities

SWLA Center for Health Services (a nonprofit corporation) was incorporated May 1, 1978 to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged. The Organization is a federally qualified health center (FQHC).

Income Taxes

The Organization is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is included in the financial statements. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they are filed.

Method of Accounting

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

Accounting Estimates

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

Cash and Cash Equivalents

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

Property and Equipment

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

	<u>Years</u>
Building	30
Equipment, furniture and fixtures	3 - 20
Vehicles	5

Functional Expenses

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

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2015

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

Accounts Receivable

The Organization records accounts receivable at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors. Management provides for probable uncollectible amounts through a provision for bad expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable.

Inventory

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

Net Patient Service Revenue

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

Grants and Contributions

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

Fair Values of Financial Instruments

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair value of all financial instruments as of May 31, 2015, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, certificate of deposits, accounts receivable, prepaid expenses, deposits, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

SWLA CENTER FOR HEALTH SERVICES
 Lake Charles, Louisiana
 Notes to Financial Statements (Continued)
 May 31, 2015

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

Risk Management

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

Major Funding Source

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

Investments

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

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the years ending May 31, 2015:

Medicare	\$ 217,447
Medicaid	575,672
Private	2,016,187
	2,809,306
Less allowance for doubtful accounts	(1,712,014)
	\$ 1,097,292

NOTE 3 - COST REPORT RECEIVABLE

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

SWLA CENTER FOR HEALTH SERVICES
 Lake Charles, Louisiana
 Notes to Financial Statements (Continued)
 May 31, 2015

NOTE 4 - ACCRUED VACATION

The Organization allows employees to carry over unused vacation hours, with written permission from the executive director. The accrual is calculated based on the employee's pay rate at the end of the year. At May 31, 2015 accrued vacation totaled \$305,597.

NOTE 5 - ECONOMIC DEPENDENCY

The Organization receives a substantial portion of its total support and revenues from the federal government. During the year ended May 31, 2015, SWLA Center for Health Services recorded \$4,000,943 in grant support from the Department of Health and Human Services. This represents 29.2% of total support and revenues for the year ended May 31, 2015.

NOTE 6 - PRIOR YEAR BALANCES

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

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at various banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC), based on balances and interest rate terms. Amounts held in financial institutions occasionally are in excess of Federal Deposit Insurance Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

The majority of the Organization's patients are located in Southwest Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors was as follows:

	2015	
Medicare	20	%
Medicaid	52	
Other	28	
	<u>100</u>	<u>%</u>

The mix of net patient revenues was as follows:

	2015	
Medicare	7	%
Medicaid	81	
Other	12	
	<u>100</u>	<u>%</u>

SWLA CENTER FOR HEALTH SERVICES
 Lake Charles, Louisiana
 Notes to Financial Statements (Continued)
 May 31, 2015

NOTE 8 -FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 9 -CHARITY CARE

The Organization provides care to patients who qualify under federal guidelines and other policies of the Organization at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data. The amount of costs associated with charity care for the fiscal year ending May 31, 2015 was \$3,081,982.

NOTE 10-401(k) PLAN

The Organization sponsors a 401 (k) Plan covering substantially all of its employees. The employees may elect to make contributions pursuant to a salary reduction agreement upon meeting eligibility requirements. The Organization made matching contributions of \$176,898 for the year ended May 31, 2015.

NOTE 11-NOTES PAYABLE

Louisiana Primary Care Association, Inc. (LPCA) loaned \$125,000 to the Center as an advance against a grant awarded by LPCA for the construction of the Crowley center.

The bank note payable for the year ended May 31, 2015 was dated March 6, 2014 and is payable in 35 monthly installments of \$2,813.27, including interest at 3.2% per annum, plus a balloon payment estimated at \$337,938.32 due on March 18, 2017. The note is secured by funds held in a separate bank account maintained by the Organization. The loan was incurred to finance a satellite clinic in Oberlin, Louisiana which was completed during fiscal year end May 31, 2015.

Balance at May 31, 2015	\$ 375,899
Less: Current Maturities of	
Long-Term Debt	(22,003)
Net Long-Term Debt	<u>\$ 353,896</u>

SWLA CENTER FOR HEALTH SERVICES
 Lake Charles, Louisiana
 Notes to Financial Statements (Continued)
 May 31, 2015

NOTE 11-NOTES PAYABLE (Continued)

Debt service requirements to maturity are as follows:

<u>Year Ended</u>	<u>Principal Amounts</u>	<u>Interest Amounts</u>
May 31, 2016	22,003	11,756
May 31, 2017	<u>353,896</u>	<u>10,992</u>
Total	<u>\$ 375,899</u>	<u>\$ 22,748</u>

NOTE 12-RESTRICTED CASH

The Center restricted funds totaling \$400,000 as of May 31, 2015 which are held in a segregated bank account. These restricted funds are to serve as collateral for the Capital One bank loan obtained to fund the construction of the satellite clinic in Oberlin, Louisiana.

NOTE 13-LEASES

The Organization had originally entered into an 18 month building lease starting May 1, 2009 currently at \$4,983 per month. The lease was renewed on a month to month basis. The lease expense for the fiscal years ended May 31, 2015 totaled \$59,796.

The Organization entered into a 24 month land lease starting June 1, 2009 currently at \$1,200 per month. The lease was renewed on a month to month basis. The lease expense for the fiscal years ended May 31, 2015 totaled \$14,400.

The Organization entered into a 50 year land lease starting August 1, 2007 at \$1,500 per month. The lease expense for the fiscal year ended May 31, 2015 totaled \$18,000. The future minimum lease payments for the next five years May 31, 2019 total \$18,000 annually.

NOTE 14-PRIOR-YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2014, from which the summarized information was derived.

NOTE 15-IN-KIND DONATIONS

In-kind donations of \$467,721, represent the cost value of vaccines provided to SWLA. The vaccines were administered to qualifying children by SWLA staff.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2015

NOTE 15-LITIGATION

The Organization is involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the organization's future financial position or results from operations.

NOTE 16-SUBSEQUENT EVENT

The Organization evaluated its May 31, 2015 financial statements for subsequent events through October 21, 2015, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2015

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Year</u>	<u>Program Receipts</u>	<u>Program Expenses</u>
U. S. Department of Health and Human Services					
Direct Programs:					
Community Health Center Section 330	93.224	H80CS00558	* 6/1/14 - 5/31/15	\$ 4,000,943	\$ 4,000,943
U. S. Department of Agriculture Passed through:					
Louisiana Department of Health and Hospitals: Office of Public Health	10.572		10/1/14 - 9/30/15	<u>118,102</u>	<u>118,102</u>
Total federal assistance				<u>\$ 4,119,045</u>	<u>\$ 4,119,045</u>

* Denotes major program

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of SWLA Center for Health Services, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Certain costs have been allocated to the federal program in accordance with OMB Circular A-122, Cost Principles of Non-Profit Organizations. The amounts presented in this schedule do not differ from the amounts presented in, or used in the preparation of the financial statements.

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of SWLA Center for Health Services (a nonprofit organization), which comprise the statement of financial position as of May 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered SWLA Center for Health Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SWLA Center for Health Services' internal control. Accordingly, I do not express an opinion on the effectiveness of SWLA Center for Health Services' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
October 21, 2015

STEVEN M. DEROUEN & ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

I have audited SWLA Center for Health Services' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of SWLA Center for Health Services' major federal programs for the year ended May 31, 2015. SWLA Center for Health Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of SWLA Center for Health Services' major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SWLA Center for Health Services' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of SWLA Center for Health Services' compliance.

Opinion on Each Major Federal Program

In my opinion, SWLA Center for Health Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2015.

Report on Internal Control Over Compliance

Management of SWLA Center for Health Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered SWLA Center for Health Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of SWLA Center for Health Services' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
October 21, 2015

SWLA CENTER FOR HEALTH SERVICES

**Schedule of Findings and Questioned Cost
Year Ended May 31, 2015**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued				Unmodified
Internal control over financial reporting:				
Material weaknesses identified?	___	Yes	<u>X</u>	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	<u>X</u>	None reported
Noncompliance material to financial statements noted?	___	Yes	<u>X</u>	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	___	Yes	<u>X</u>	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	<u>X</u>	No
Type of auditor’s report issued on compliance for major programs:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	___	Yes	<u>X</u>	No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes ___ No

SWLA CENTER FOR HEALTH SERVICES

**Schedule of Findings and Questioned Cost
Year Ended May 31, 2015**

SECTION II – FINDINGS

None

SECTION III – Prior Year Findings and Questioned Costs

None

SWLA Center for Health Services, Inc.

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

May 31, 2015

Agency Head Name: Sheik Bacchus, Chief Executive Officer

Purpose	Amount
Salary	\$ 225,000
Benefits-health insurance	0.00
Benefits-retirement	0.00
Benefits-Life, ADD, LTD	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	120
Reimbursements – Auto Mileage Reimb	0.00
Travel	620
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	9,000
Unvouchered expenses	0.00
Special meals	0.00