Innis Community Health Center, Inc.
Batchelor, Louisiana
October 31, 2015

TABLE OF CONTENTS

Independent Auditor's Report	Page 3
Financial Statements	
Statements of Financial Position	Page 5
Statements of Activities	Page 6
Statements of Functional Expenses	Page 7
Statements of Cash Flows	Page 8
Notes to Financial Statements	Page 10
Supplementary Information	
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	Page 19
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*	Page 20
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	Page 22
Schedule of Expenditures of Federal Awards	Page 24
Notes to Schedule of Expenditures of Federal Awards	Page 25
Schedule of Current Year Audit Findings and Questioned Costs	Page 26
Schedule of Prior Year Audit Findings and Questioned Costs	Page 31

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

Independent Auditor's Report

Board of Directors
Innis Community Health Center, Inc.
Batchelor, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2015 and 2014, and the related statements of activities, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Innis Community Health Center, Inc. as of October 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to agency head or chief executive officer on page 19 and the 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,* on page 24, are presented for purposes of additional analysis and are 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 February 25, 2016 on our consideration of Innis Community Health Center, Inc.'s internal control over financial reporting and on 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 Innis Community Health Center, Inc.'s internal control over financial reporting and compliance.

Hawthorn, Waymouth & Carroll, LLP

February 25, 2016

Innis Community Health Center, Inc.
Statements of Financial Position
October 31, 2015 and 2014

Assets

	2015	2014
Current Assets		
Cash and cash equivalents	$ 40,575	$ –
Certificate of deposit	60,000	60,000
Patient accounts receivable, less allowance for doubtful accounts of $251,421 for 2015 and $336,432 for 2014	263,187	315,601
Grant funds receivable	412,547	355,006
Other receivables	815	5,925
Prepaid expenses	43,339	14,516
Total current assets	820,463	751,048
Property and Equipment, net of accumulated depreciation	1,086,997	1,190,396
Total assets	$1,907,460	$1,941,444

Liabilities and Net Assets

Current Liabilities		
Line of credit	$ 50,000	$ 35,000
Managed overdraft	–	21,073
Accounts payable	117,456	47,945
Accrued expenses	171,285	103,676
Due to related party	–	4,600
Total current liabilities	338,741	212,294
Net Assets		
Unrestricted	1,568,719	1,729,150
Total liabilities and net assets	$1,907,460	$1,941,444

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

Innis Community Health Center, Inc.
Statements of Activities
Years Ended October 31, 2015 and 2014

	Unrestricted	
	2015	**2014**
Revenues and Gains		
Patient services revenue		
(net of contractual allowances and discounts)	$1,534,314	$1,501,689
Provision for bad debts	(400,959)	(170,423)
Net patient service revenue, less provision for bad debts	1,133,355	1,331,266
Federal grants	1,805,985	1,906,980
State and other grants	135,453	246,377
Other revenue	216,152	128,561
Total revenues and gains	3,290,945	3,613,184
Expenses		
Program services		
Medical	1,909,301	1,774,696
Dental	568,146	455,724
Supporting services		
Management and general	973,929	989,006
Total expenses	3,451,376	3,219,426
Change in Net Assets	(160,431)	393,758
Net Assets, beginning of year	1,729,150	1,335,392
Net Assets, end of year	$1,568,719	$1,729,150

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

Innis Community Health Center, Inc.
Statements of Functional Expenses
Years Ended October 31, 2015 and 2014

	Program Services		Supporting Services	
	Medical	Dental	Management and General	2015 Total
October 31, 2015				
Employee compensation and benefits	$1,527,228	$328,781	$645,570	$2,501,579
Occupancy and rents	55,745	29,512	78,700	163,957
Billing and information systems	92,675	46,338	46,337	185,350
Purchased services	89,876	45,937	63,911	199,724
Supplies	74,261	42,227	29,122	145,610
Depreciation	36,716	64,253	30,159	131,128
Insurance	21,343	11,098	10,244	42,685
Travel, education and training	11,457	–	20,369	31,826
Licenses and fees	–	–	14,578	14,578
Dues and subscriptions	–	–	22,014	22,014
Meeting expenses	–	–	9,627	9,627
Medical records	–	–	1,573	1,573
Other	–	–	1,725	1,725
Total expenses	$1,909,301	$568,146	$973,929	$3,451,376

	Program Services		Supporting Services	
	Medical	Dental	Management and General	2014 Total
October 31, 2014				
Employee compensation and benefits	$1,418,435	$226,176	$671,936	$2,316,547
Occupancy and rents	57,182	30,791	81,429	169,402
Billing and information systems	89,588	44,794	44,794	179,176
Purchased services	47,300	23,637	33,641	104,578
Supplies	97,962	56,788	39,114	193,864
Depreciation	35,453	62,491	30,202	128,146
Insurance	21,659	11,047	10,612	43,318
Travel, education and training	7,117	–	12,645	19,762
Licenses and fees	–	–	16,298	16,298
Dues and subscriptions	–	–	23,240	23,240
Meeting expenses	–	–	13,989	13,989
Medical records	–	–	7,796	7,796
Other	–	–	3,310	3,310
Total expenses	$1,774,696	$455,724	$989,006	$3,219,426

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

Innis Community Health Center, Inc.
Statements of Cash Flows
Years Ended October 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Cash received from patients and third party payers	$ 1,185,769	$ 1,266,698
Cash received from grants and contributions	1,889,006	1,855,043
Cash received from other sources	216,152	102,113
Cash payments to employees	(2,433,970)	(2,310,987)
Cash payments to suppliers	(782,580)	(765,468)
Net cash provided by operating activities	74,377	147,399
Cash Flows From Investing Activities		
Purchase of property and equipment	(27,729)	(261,710)
Net cash used in investing activities	(27,729)	(261,710)
Cash Flows From Financing Activities		
Increase (Decrease) in managed overdraft	(21,073)	21,073
Increase in line of credit	15,000	–
Net cash provided by (used in) financing activities	(6,073)	21,073
Net Increase (Decrease) in Cash and Cash Equivalents	40,575	(93,238)
Cash and Cash Equivalents, beginning of year	–	93,238
Cash and Cash Equivalents, end of year	$ 40,575	$ –
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Income taxes	$ –	$ –
Interest	$ 928	$ 756

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

Innis Community Health Center, Inc.
Statements of Cash Flows (Continued)
Years Ended October 31, 2015 and 2014

Reconciliation of Change in Net Assets to Net Cash Flows From Operating Activities:		
Change in net assets	$(160,431)	$ 393,758
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	131,128	128,146
Bad debt expense	400,959	170,423
(Increase) Decrease in assets:		
Patient accounts receivable	(348,545)	(234,991)
Grant funds receivable	(57,541)	(222,414)
Other receivables	5,110	(5,375)
Prepaid expenses	(28,823)	(755)
Increase (Decrease) in liabilities:		
Accounts payable	69,511	(2,933)
Accrued expenses	67,609	(5,560)
Due to related party	(4,600)	3,000
Deferred grant revenue	–	(75,900)
Net cash provided by operating activities	$ 74,377	$ 147,399

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

Note 1-Nature of Operations

Innis Community Health Center, Inc. (the "Center") is incorporated as a Louisiana nonprofit corporation located in the northern part of Pointe Coupee Parish in the Village of Innis, Louisiana with a satellite clinic in Livonia, Louisiana.

The Center is a Federally Qualified Health Center that provides primary healthcare services to area communities in need of preventative, coordinated, and affordable healthcare in a prudent and efficient manner. The vision of the Center is, through community collaboration and partnership, to develop and promote supportive healthcare services to all people who are medically underserved, in order that they may experience all the rights, privileges, and responsibilities as members of the community.

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

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

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include those net assets whose use by the Center is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those assets whose use by the Center has been limited by donors to (a) later periods of time or other specific dates, or (b) specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Center's use of the asset. At October 31, 2015 and 2014, the Center had no temporarily or permanently restricted net assets.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant item on the statements of financial position that involves a greater degree of accounting estimates subject to changes in the near future is the assessment of the allowance for doubtful accounts. As additional information becomes available (or actual amounts are determinable), the recorded estimates are revised and reflected in operating results of the period they are determined.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

D. Patient Accounts Receivable

Patient accounts receivable are generally carried at the original billed amount less contractual adjustments and the allowance for doubtful accounts. The allowance is based on management's estimates, historical experience, and a review of all outstanding amounts on an ongoing basis. Patient accounts receivable are written-off when deemed uncollectible, and recoveries, if any, are recorded when received.

Note 2-Summary of Significant Accounting Policies (Continued)

E. Property and Equipment

Property and equipment are carried at cost. Donated property and equipment are carried at approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years for equipment, furniture and fixtures, and 15 to 30 years for buildings and leasehold improvements.

All acquisitions of property and equipment in excess of $1,000 and all expenditures that materially increase values, change capabilities, or extend useful lives of assets are capitalized. Routine maintenance, repairs, and minor equipment replacement costs are charged against operations.

F. Compensated Absences

The Center provides paid time off (PTO) for employees who meet hours worked per pay period criteria. Generally, PTO is earned on a per pay period (bi-weekly) basis ranging from 5.0 to 8.75 hours per pay period, depending on job classification and length of service. Unused PTO, up to a maximum of 300 hours at the end of the fiscal year, may be carried forward. Any unused PTO in excess of 300 hours will be forfeited if not used by September 30, of the subsequent year, unless otherwise approved by the Board.

G. Funding Source

The Center receives funds from the United States Department of Health and Human Services (DHHS) through the Health Resources and Services Administration. 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 the unexpended funds, or both, as a result of non-compliance by the Center with the terms of the grants. In addition, if the Center terminates the activities of the grants, all unexpended federal funds are to be returned to DHHS. The grant agreement requires the Center to provide primary healthcare to all requesting individuals; however, the amount an individual actually pays is based on the individual's personal income.

H. Net Patient Service Revenue

The Center has agreements with third-party payers that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Center has a sliding fee plan for patients whose income levels fall within the sliding fee guidelines and who do not have coverage with a third-party payer.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 2-Summary of Significant Accounting Policies (Continued)

I. Functional Allocation

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

J. Income Tax Status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an entity other than a private foundation within the meaning of Section 509(a). Accordingly, no provision has been made for income taxes.

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If the Center were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors.

K. Other Revenue

Other revenue is derived from services other than providing healthcare services to patients. These primarily include incentive payments related to Electronic Health Records implementation, fees for providing medical records, and Medicaid and Medicare adjustments.

L. Advertising

Advertising costs are expensed as incurred. There were no advertising costs for the years ended October 31, 2015 and 2014.

M. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's financial statement presentation. The reclassifications had no effect on net assets or the change in net assets of the prior year.

Note 3-Certificate of Deposit

At October 31, 2015 and 2014, the Center had a certificate of deposit in the amount of $60,000. The certificate of deposit had an interest rate of .77% and .73% at October 31, 2015 and 2014, respectively, and a term of seven months, with penalties for early withdrawal. The investment is carried at cost, which approximates fair market value. This certificate of deposit serves as collateral on the Center's line of credit as described in Note 5.

Note 4-Property and Equipment

Property and equipment activity is summarized as follows as of October 31, 2015:

	November 1, 2014	Additions	Retirements	October 31, 2015
Innis Clinic				
Office equipment	$ 182,880	$ –	$ –	$ 182,880
Furniture and fixtures	12,188	–	–	12,188
Medical equipment	33,019	3,894	–	36,913
Dental equipment	140,799	23,835	–	164,634
Vehicles	38,105	–	–	38,105
Mobile dental van	181,740	–	–	181,740
Mobile mental health van	71,150	–	–	71,150
Office building	41,408	–	–	41,408
Dental building	234,938	–	–	234,938
Helipad	32,027	–	–	32,027
Leasehold improvements	123,982	–	–	123,982
Total Innis Clinic	1,092,236	27,729	–	1,119,965
Livonia Clinic				
Land	75,935	–	–	75,935
Office equipment	47,086	–	–	47,086
Medical equipment	48,761	–	–	48,761
Dental equipment - mobile van	18,736	–	–	18,736
Vehicles	23,577	–	–	23,577
Office building	50,525	–	–	50,525
Leasehold improvements	73,322	–	–	73,322
Total Livonia Clinic	337,942	–	–	337,942
School Based Health Clinics				
Office equipment	30,055	–	–	30,055
Medical equipment	26,626	–	–	26,626
Building	518,740	–	–	518,740
Total school based health clinics	575,421	–	–	575,421
Electronic Medical Records Equipment	36,631	–	–	36,631
Total property and equipment	2,042,230	27,729	–	2,069,959
Less: accumulated depreciation	(851,834)	(131,128)	–	(982,962)
Total property and equipment, net	$1,190,396	$ (103,399)	$ –	$1,086,997

Note 4-Property and Equipment (Continued)

Property and equipment activity is summarized as follows as of October 31, 2014:

	November 1, 2013	Additions	Retirements	October 31, 2014
Innis Clinic				
Office equipment	$ 152,796	$ 30,084	$ –	$ 182,880
Furniture and fixtures	12,188	–	–	12,188
Medical equipment	33,019	–	–	33,019
Dental equipment	132,256	8,543	–	140,799
Vehicles	38,105	–	–	38,105
Mobile dental van	181,740	–	–	181,740
Mobile mental health van	65,000	6,150	–	71,150
Office building	41,408	–	–	41,408
Dental building	234,938	–	–	234,938
Helipad	32,027	–	–	32,027
Leasehold improvements	123,982	–	–	123,982
Total Innis Clinic	1,047,459	44,777	–	1,092,236
Livonia Clinic				
Land	75,935	–	–	75,935
Office equipment	47,086	–	–	47,086
Medical equipment	48,761	–	–	48,761
Dental equipment - mobile van	7,831	10,905	–	18,736
Vehicles	–	23,577	–	23,577
Office building	50,525	–	–	50,525
Leasehold improvements	73,322	–	–	73,322
Total Livonia Clinic	303,460	34,482	–	337,942
School Based Health Clinics				
Office equipment	26,059	3,996	–	30,055
Medical equipment	26,626	–	–	26,626
Building	–	518,740	–	518,740
Construction in progress	340,285	178,455	(518,740)	–
Total school based health clinics	392,970	701,191	(518,740)	575,421
Electronic Medical Records Equipment	36,631	–	–	36,631
Total property and equipment	1,780,520	780,450	(518,740)	2,042,230
Less: accumulated depreciation	(723,688)	(128,146)	–	(851,834)
Total property and equipment, net	$1,056,832	$ 652,304	$ (518,740)	$1,190,396

Note 5-Line of Credit

The Center has a $60,000 line of credit, of which $50,000 and $35,000 was drawn as of October 31, 2015 and 2014, respectively. Interest is fixed at 2.77%. The line of credit is secured by a certificate of deposit as referenced in Note 3, and matures on May 13, 2016.

Note 6-Related Party Transactions

Pointe Coupee General Hospital, an entity related through common Board members, rents facilities to the Center. The amount due to the Pointe Coupee General Hospital for rent was $4,600 as of October 31, 2014. There was no rent due as of October 31, 2015.

The Center paid rent to Pointe Coupee General Hospital in the amount of $17,515 and $19,200 for the years ended October 31, 2015 and 2014, respectively.

Note 7-Commitments, Concentrations, and Contingencies

The Center is involved in various lawsuits of which the outcome is not determinable. Management has judged the assertions and plans to vigorously defend against all claims.

The Center leases equipment and facilities under operating leases. Total rental expense included in occupancy and rents in 2015 and 2014 was $32,180 and $34,521, respectively.

The Center has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space in Innis, Louisiana, with payments of $1,000 per month for a term of 15 years, beginning June 30, 2009 and ending June 30, 2024.

The Center has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in Livonia, Louisiana, with payments of $600 per month for an indefinite lease term. Either party may terminate the lease in writing, voiding the lease within 120 days.

Future minimum lease payments on non-cancelable leases for the next five years are as follows:

Fiscal Year	Amount
2015 - 2016	$12,000
2016 - 2017	12,000
2017 - 2018	12,000
2018 - 2019	12,000
2019 - 2020	12,000
	$60,000

Note 7-Commitments, Concentrations, and Contingencies (Continued)

Concentrations of Credit Risk

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Revenues from patients and third-party payers as of October 31, 2015 and 2014 were as follows:

	Percent	
Payer	2015	2014
Medicaid	41%	35%
Medicare	9%	11%
Sliding fee/ private pay	23%	27%
Third-party payers	27%	27%
Total	100%	100%

Additionally, 55% and 53% of the Center's total unrestricted revenue and support was provided by the U.S. Department of Health and Human Services during the fiscal years ended October 31, 2015 and 2014, respectively.

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

Note 8-Tax Deferred Annuity Plan

The Center participates in a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may participate in the employee contribution plan when hired. This is a plan whereby employees make their own, pre-tax contributions to the plan, and can either increase, decrease, or stop their contributions at any time. Employees may contribute to the plan up to the maximum amount allowed by the Internal Revenue Code. There is no match by Innis Community Health Center, Inc. in the Section 403(b) tax deferred annuity plan. Employees may withdraw their contributions from the 403(b) tax deferred annuity plan upon resignation or termination.

The Center also participates in an employer contribution plan (pension plan). Employees hired after July 1, 2003 are entitled to participate in the employer contribution plan upon completion of one year of service working for the Center. Employees are vested after 3 years of employment, and may withdraw the employer's contributions to their account upon resignation or termination. The Center contributes on behalf of employees at a rate of 2% to 3% of gross salary. Employees receive 3% contributions upon 5 full years of service for the Center. The Center's contributions for 2015 and 2014 were $17,493 and $24,359, respectively.

Note 9-Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Note 9-Laws and Regulations (Continued)

Violations of these laws and regulations could result in exclusion from government healthcare program participation, the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Center is subject to regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Center's financial position.

Note 10-Board of Directors Compensation

The Board of Directors is a voluntary board; therefore, no compensation or per diem has been paid to any Director.

Note 11-Subsequent Events

Innis Community Health Center, Inc. has evaluated all subsequent events through February 25, 2016, the date the financial statements were available to be issued. As a result, the Center noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information

Innis Community Health Center, Inc.
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended October 31, 2015

Agency Head Name: Cindy Peavy, Executive Director

Purpose	Amount
Salary	$105,000
Benefits - insurance	3,843
Benefits - retirement	2,035
Benefits - cell phone	1,500
Car allowance	0
Vehicle provided by agency	0
Per diem	0
Reimbursements	0
Travel	1,046
Registration fees	1,158
Conference travel	516
Continuing professional education fees	150
Housing	0
Unvouchered expenses	0
Special meals	0

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

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
Innis Community Health Center, Inc.
Batchelor, Louisiana

We 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 Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 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 our report thereon dated February 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Innis 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 Innis Community Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Innis Community Health Center, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2015-003 and 2015-004).

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (2015-001 and 2015-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Innis 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.*

Innis Community Health Center, Inc.'s Response to Findings

Innis Community Health Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Innis Community Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Hawthorn, Waymouth & Carroll, LLP

February 25, 2016

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

Independent Auditor's Report
on Compliance for Each Major Program and on Internal
Control over Compliance Required by OMB Circular A-133

Board of Directors
Innis Community Health Center, Inc.
Batchelor, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Innis Community Health Center, Inc.'s 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 Innis Community Health Center, Inc.'s major federal programs for the year ended October 31, 2015. Innis 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Innis 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 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 Innis 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 Innis Community Health Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Innis 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 October 31, 2015.

Report on Internal Control Over Compliance

Management of Innis 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 Innis 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 OMB Circular A-133, 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 Innis Community Health Center, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004 to be material weaknesses.

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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hawthorn, Waymouth & Carroll, LLP

February 25, 2016

Innis Community Health Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended October 31, 2015

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Health Centers Cluster*		
Consolidated Health Centers	93.224	$ 905,262
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	690,567
Total Health Centers Cluster		1,595,829
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	210,156
Total Expenditures of Federal Awards		$1,805,985

* Denotes major programs

The accompanying notes are an integral part of this schedule.

Innis Community Health Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended October 31, 2015

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Innis Community Health Center, Inc. under programs of the federal government for the year ended October 31, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Innis Community Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Innis Community Health Center, Inc.

Note 2-Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures from November 1, 2014 to December 26, 2014 are recognized following cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, and from December 27, 2014 to October 31, 2015 following cost principles in accordance with the provisions of 2 CFR 200, Subpart E - Cost Principles, for any awards made after December 26, 2014, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3-Subrecipients

Innis Community Health Center, Inc. did not pass-through any of its federal awards to a subrecipient during the fiscal year ended October 31, 2015.

Note 4-Non-cash Assistance

No federal awards were expended in the form of non-cash assistance during the fiscal year ended October 31, 2015.

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report:
Unmodified

Internal control over financial reporting
* Material weakness(es) identified:
__X__ Yes _____ No
* Significant deficiencies identified that are not considered to be material weaknesses:
__X__ Yes _____ None reported

Noncompliance material to financial statements noted:
_____ Yes __X__ No

Federal Awards

Internal control over major programs
* Material weakness(es) identified:
__X__ Yes _____ No
* Significant deficiencies identified that are not considered to be material weaknesses:
_____ Yes __X__ None reported

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 Section 510(a) of Circular A-133:

__X__ Yes _____ No

Identification of major programs:

CFDA Numbers	Federal Program or Cluster
93.224/93.527	Health Centers Cluster

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

Auditee qualified as low-risk auditee:
_____ Yes __X__ No

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2015

Section II - Financial Statement Findings

Significant Deficiencies

2015-001: Lack of Proper Supporting Documentation for Journal Entries

Condition:
The Center lacks proper supporting documentation for journal entries to cash.

Criteria:
Journal entries should have proper supporting documentation, providing an explanation for the purpose of the entry.

Effect:
Potential misappropriation of assets.

Cause:
Unknown.

Auditor's Recommendation:
The Center should include a description in the memo field provided by the accounting software for all journal entries recorded and retain proper documentation supporting the reasons for the adjustments.

Management's Response:
The Center hired a new accountant in March 2015. Journal entries had paper back-ups of what they were for; however, the memo field was not utilized to document the notations. Most of these entries were for payroll. This has been corrected. Journal entries now include explanation in memo field as well as paper backup. The Center has also engaged a new accounting firm for oversite of monthly financials and documentation.

2015-002: Timeliness of Physician Credentialing

Condition:
Due to delays in the physician credentialing process, the Center was not reimbursed for services being provided, which resulted in lost revenue.

Criteria:
According to Policy Information Notice (PIN) 2014-02, health centers are required to maximize revenue from public and third party payers. In addition, health centers are required to make "every reasonable effort" to collect "appropriate reimbursement" from Title XVIII of the SSA (Medicare Program), Medicaid, CHIP, and other public assistance programs, as well as private third party payers used by their patient populations.

Effect:
The Center was unable to bill third party payers for physicians' charges until the physicians were properly credentialed.

Section II - Financial Statement Findings

Significant Deficiencies (Continued)

2015-002: Timeliness of Physician Credentialing (Continued)

Cause:

The Center experienced significant physician turnover. As new physicians were hired, the Center encountered credentialing issues with several insurance companies, which delayed the completion of the process.

Auditor's Recommendation:

The Center should consider contracting with an agency that handles credentialing or develop an internal program to assist in the credentialing process.

Management's Response:

In October 2014, ICHC suffered huge staffing changes. Our medical director relocated; replacements were hired to continue to provide services to our community. The new hires were not fully credentialed with all insurances at the time of the medical director's departure. Our options were to close the practice or continue to see patients through the credentialing process.

Credentialing with insurance companies is out of the control of the Center. Our mission is to serve the community, and not turn people needing care away. Each insurance company has a wait time ranging from 90 days to over 200 days. We cannot stop services while waiting on the credentialing process to be completed. This would be detrimental to the community we serve. The following are a few examples of credentialing challenges that the Center faces:

- FQHC Medicare has told our credentialing specialist it will take up to 210 days to complete their internal credentialing for our new access point in Iberville. HRSA understands the delay, and supported the site opening in November. Outsourcing credentialing cannot fix Medicare's wait time.
- Louisiana converted Medicaid to a managed care system. This means we now credential with Medicaid, then with 5 different health plans, all of which have their own wait times and delays.
- Cigna will not credential any new nurse practitioners. They closed credentialing at this time.
- Blue Cross of LA credentialing wait time is over 250 days for provider credentialing, this is not in the control of the Center.

There is no standardized credentialing process for the industry and no standardized form or requirements, so we are at the mercy of each individual carrier to expedite their internal process. This is a systemic health care problem. Insurance companies should be held to deadlines to complete credentialing of providers.

Our solution:

We have contracted with Provider Health Link of Louisiana, LLC. FQHC's have formed an IPA which works on our behalf to negotiate contracts and expedite credentialing with the different carriers. This strategy has been in place for over a year. Slowly, we gain traction to gain a voice for the FQHC's as a whole. This is an evolving process we hope to assist in timeliness of credentialing. We have a spreadsheet with our provider information we update monthly and send to the IPA for credentialing. Our internal credentialing process includes weekly follow ups on outstanding applications.

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2015

Section III – Federal Award Findings

Material Weaknesses

2015-003: Material Audit Adjustment for Grant Revenue

CFDA 93.224/93.527: Health Centers Cluster

Condition:

The Center did not properly record grant revenue in the general ledger, which resulted in an adjustment which increased grant revenue in the amount of $184,894.

Criteria:

Grant revenue should be recognized when the related expenditure is incurred.

Effect:

The Center's interim financial statements, which were provided at the monthly Board meetings, did not properly reflect grant income.

Cause:

The Center inconsistently recorded cash drawdowns either as a reduction to grant funds receivable or as an increase to grant income and did not reconcile the accounts to the actual grant funds expended.

Auditor's Recommendation:

Management should maintain a process for tracking grant funds expended, which would facilitate the proper recordation of grant revenue.

Management's Response:

Grant funds were not recorded correctly in our accounting system. A new accountant started in March 2015. There was no handoff between the outgoing CPA and the incoming accountant. We have corrected this process through education and training of the new accountant. The health center has also changed contracted CPA services to gain more expertise and oversite of monthly financials and bookkeeping. The new CPA firm is effective for the fiscal year ending October 31, 2016.

Section III – Federal Award Findings

Material Weaknesses (Continued)

2015-004: Material Audit Adjustment for Grant Revenue

CFDA 93.912: Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program

Condition:

The Center did not properly record grant revenue in the general ledger, which resulted in an adjustment which increased grant revenue in the amount of $71,852.

Criteria:

Grant revenue should be recognized when the related expenditure is incurred.

Effect:

The Center's interim financial statements, which were provided at the monthly Board meetings, did not properly reflect grant income.

Cause:

The Center inconsistently recorded cash drawdowns either as a reduction to grant funds receivable or as an increase to grant income and did not reconcile the accounts to the actual grant funds expended.

Auditor's Recommendation:

Management should maintain a process for tracking grant funds expended, which would facilitate the proper recordation of grant revenue.

Management's Response:

Grant funds were not recorded correctly in our accounting system. A new accountant started in March 2015. There was no handoff between the outgoing CPA and the incoming accountant. We have corrected this process through education and training of the new accountant. The health center has also changed contracted CPA services to gain more expertise and oversite of monthly financials and bookkeeping. The new CPA firm is effective for the fiscal year ending October 31, 2016.

Innis Community Health Center, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended October 31, 2015

Section II - Financial Statement Findings

Significant Deficiencies

Finding 2014-001: Cash Management

Condition:
The Center billed a grant in excess of actual expenditures and subsequently reimbursed the grant for the excess.

Criteria:
The Center's drawdowns for a grant should match actual expenditures charged to the grant.

Effect:
The Center is drawing down funds for which amounts are not expended, resulting in noncompliance with cash management requirements. Unallowable costs are being charged to the grant by charging estimated amounts rather than actual expenditures.

Cause:
The Center billed the grant based on estimated amounts rather than using actual amounts expended.

Auditor's Recommendation:
We recommend that the Center run an expense report showing actual amounts charged to the grant before funds are requested and that report should be matched to the drawdown request.

Management's Response:
Grant manager was estimating hours worked instead of using actual payroll amounts.

Grant manager was reeducated on process for determining salaries prior to drawdown. Process includes: obtaining actual payroll report from payroll department and using actual hours worked for reimbursement requests. CEO must review drawdown requests and payroll amounts, then give approval for drawdowns prior to withdrawing grant funds.

Status:
This finding has been resolved.

Section III – Federal Award Findings

None.