

**SOUTHWEST LOUISIANA PRIMARY
HEALTH CARE CENTER, INC.
Opelousas, Louisiana**

**Financial and Compliance Report
June 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana

Report on the Financial Statements

I have audited the accompanying statements of Southwest Louisiana Primary Health Care Center, Inc., (a non-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the 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 Southwest Louisiana Primary Health Care Center, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited Southwest Louisiana Primary Health Care Center, Inc.'s June 30, 2012 financial statements, and my report dated October 17, 2012, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, 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, 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 November 20, 2013, on my consideration of Southwest Louisiana Primary Health Care Center, Inc.'s 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 Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
November 20, 2013

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.

Opelousas, Louisiana

Statements of Financial Position

As of June 30, 2013

With Summarized Comparative Totals as of June 30, 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 504,483	\$ 556,359
Patient accounts receivable, net	75,671	107,705
Inventory	66,550	52,787
Certificates of deposit	52,437	52,289
Prepaid expenses	4,081	1,167
Grant receivable	9,189	191,273
Other receivables	-	9,059
Deposits	405	405
Total Current Assets	<u>712,816</u>	<u>971,044</u>
Property, Plant and Equipment		
Furniture and equipment	1,360,335	620,409
Building and improvements	1,176,715	408,220
	<u>2,537,050</u>	<u>1,028,629</u>
Less accumulated depreciation	<u>(812,179)</u>	<u>(690,029)</u>
	1,724,871	338,600
Land	100,000	100,000
Construction in progress	915,115	937,926
Net Property, Plant and Equipment	<u>2,739,986</u>	<u>1,376,526</u>
Other Assets		
Investments - LA Partnership for Choice and Access, LLC	<u>-</u>	<u>100,000</u>
Total Assets	<u>\$ 3,452,802</u>	<u>\$ 2,447,570</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 160,797	\$ 182,010
Accrued payroll and related liabilities	81,160	69,731
Current portion of leases payable	8,372	2,818
Current portion of notes payable	123,182	86,236
Total Current liabilities	<u>373,511</u>	<u>340,795</u>
Long Term Liabilities		
Leases payable - net of current portion	26,600	7,907
Notes payable - net of current portion	507,275	347,044
Total Long Term Liabilities	<u>533,875</u>	<u>354,951</u>
Total Liabilities	<u>907,386</u>	<u>695,746</u>
Net Assets		
Unrestricted net assets	<u>2,545,416</u>	<u>1,751,824</u>
Total Liabilities and Net Assets	<u>\$ 3,452,802</u>	<u>\$ 2,447,570</u>

See accompanying notes to the financial statements

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Statements of Activities
For the Year Ended June 30, 2013
With Summarized Comparative Totals for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
Revenue and Support		
Revenue:		
Gross patient service revenue	\$ 1,802,881	\$ 1,399,473
Less contractual allowances and discounts	(582,291)	(478,927)
Less bad debts	(30,055)	-
	<u>1,190,535</u>	<u>920,546</u>
Net patient service revenue		
	<u>1,190,535</u>	<u>920,546</u>
Support:		
Grant awards	2,025,994	2,039,227
Interest	584	709
Gain from LA Partnership for Choice and Access, LLC	467,595	-
Other income	16,248	3,627
	<u>2,510,421</u>	<u>2,043,563</u>
Total Support		
	<u>2,510,421</u>	<u>2,043,563</u>
Total Revenue and Support	<u>3,700,956</u>	<u>2,964,109</u>
Expenses		
Program Services:		
Medical	1,276,356	1,088,089
Dental	558,097	515,293
Social services	48,496	80,527
	<u>1,882,949</u>	<u>1,683,909</u>
Total Program Services		
	<u>1,882,949</u>	<u>1,683,909</u>
Support Services:		
General and administrative	1,024,415	825,020
	<u>1,024,415</u>	<u>825,020</u>
Total Expenses	<u>2,907,364</u>	<u>2,508,929</u>
Change in Net Assets	793,592	455,180
Unrestricted Net Assets - Beginning of Year	<u>1,751,824</u>	<u>1,296,644</u>
Unrestricted Net Assets - End of Year	<u>\$ 2,545,416</u>	<u>\$ 1,751,824</u>

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Statements of Cash Flows
For the Year Ended June 30, 2013
With Summarized Comparative Totals for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 793,592	\$ 455,180
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	122,150	57,865
Net (gain) loss on long-term investments	(467,595)	-
Forgiveness of loan payable to LPCA	-	(143,646)
Changes in operating assets and liabilities:		
Change in allowance for doubtful accounts	16,578	5,340
(Increase) decrease in accounts receivable	15,456	155,431
(Increase) decrease in other receivable	191,143	(81,332)
(Increase) decrease in inventory	(13,763)	15,795
(Increase) decrease in prepaid expenses	(2,914)	2,027
Increase (decrease) in accounts payable	(21,213)	(96,486)
Increase (decrease) in accrued liabilities	11,429	6,242
	<u>644,863</u>	<u>376,416</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Investing Activities		
Purchase of certificate of deposit	(148)	(300)
Proceeds from sale of LA Partnership for Choice and Access, LLC	567,595	-
Payments on construction in progress	(209,944)	(504,694)
Fixed asset acquisitions	(1,245,118)	(53,063)
	<u>(887,615)</u>	<u>(558,057)</u>
Net Cash Provided (Used) by Investing Activities		
Cash Flows From Financing Activities		
Proceeds on short-term debt	-	35,717
Principal payments on short-term debt	-	(52,000)
Proceeds on long-term debt	289,783	460,000
Principal payments on long-term debt	(92,606)	(61,899)
Principal payments on capital leases	(6,301)	(2,465)
	<u>190,876</u>	<u>379,353</u>
Net Cash Provided (Used) by Financing Activities		
Net Increase in Cash and Cash Equivalents	(51,876)	197,712
Cash and Cash Equivalents - Beginning of Year	556,359	358,647
Cash and Cash Equivalents - End of Year	<u>\$ 504,483</u>	<u>\$ 556,359</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u>\$ 29,503</u>	<u>\$ 18,077</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Assets acquired through capital lease	<u>\$ 30,546</u>	<u>\$ -</u>

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Statements of Functional Expenses
For the Year Ended June 30, 2013
With Summarized Comparative Totals for the Year Ended June 30, 2012

	Program Services				Supporting Services	Total	
	Medical Services	Dental Services	Social Services	Total	General and Administrative	2013	2012
Salaries	\$ 479,390	\$ 452,765	\$ 45,563	\$ 977,718	\$ 526,457	\$ 1,504,175	\$ 1,243,675
Fringe benefits	5,448	4,025	-	9,473	23,188	32,661	29,091
Payroll taxes	20,863	32,191	2,918	55,972	40,225	96,197	93,640
Consultants and contractual services	572,011	2,104	-	574,115	54,313	628,428	611,517
Supplies	44,903	44,534	-	89,437	20,407	109,844	109,039
Dues and subscriptions	-	-	-	-	18,709	18,709	14,278
Maintenance and repairs	17,200	821	-	18,021	71,512	89,533	76,173
Telephone	9,088	8,551	-	17,639	15,398	33,037	27,031
Postage	12	-	-	12	2,738	2,750	1,856
Insurance	3,934	400	-	4,334	18,380	22,714	28,487
Travel and seminars	6,978	2,839	15	9,832	27,896	37,728	10,488
Utilities	15,653	7,472	-	23,125	703	23,828	23,960
Interest and bank charges	28,544	244	-	28,788	5,869	34,657	35,092
Legal and professional	12,523	1,938	-	14,461	105,338	119,799	113,047
Miscellaneous	2,181	213	-	2,394	10,926	13,320	17,582
Advertising and promotion	4,035	-	-	4,035	13,799	17,834	16,108
Total expenses before depreciation	1,222,763	558,097	48,496	1,829,356	955,858	2,785,214	2,451,064
Depreciation and amortization	53,593	-	-	53,593	68,557	122,150	57,865
Total expenses	\$ 1,276,356	\$ 558,097	\$ 48,496	\$ 1,882,949	\$ 1,024,415	\$ 2,907,364	\$ 2,508,929

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.

Opelousas, Louisiana

Notes to Financial Statements

June 30, 2013

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

Nature of Activities

Southwest Louisiana Primary Health Care Center, Inc. (a non-profit, non-stock corporation) was incorporated in the State of Louisiana on May 27, 1992 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) and is principally funded under a grant from the Office of Public Health Services, a component of the U.S. Department of Health and Human Services (DHHS).

Income Taxes

The Organization is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the financial statements.

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 accounting principles generally accepted in the United States of America 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 \$500. Repairs and maintenance are charged to operations when incurred. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	5 - 40
Equipment, furniture and fixtures	3 - 20
Vehicles	5

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.

Opelousas, Louisiana

Notes to Financial Statements

June 30, 2013

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

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.

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.

Bad Debts

The Organization uses the allowance method in accounting for its un-collectible accounts. The allowance account consists of an estimate of uncollectible accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past patient history, any adverse situations that might affect the patient's ability to repay, and current economic conditions. Amounts charged-off that are subsequently recovered are recorded as income.

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.

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.

Advertising Expense

The Organization expenses the cost of advertising as the expense is incurred. For the year ended June 30, 2013, the cost totaled \$17,834.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2013

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

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.

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.

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.

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the year ending June 30, 2013:

Medicare	\$ 54,921
Medicaid	8,448
Private	90,619
	<hr/> 153,988
Less allowance for doubtful accounts	78,317
	<hr/> <u>\$ 75,671</u>

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.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.

Opelousas, Louisiana

Notes to Financial Statements

June 30, 2013

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 June 30, 2013 accrued vacation totaled \$44,828.

NOTE 5 - ECONOMIC DEPENDENCY

The Organization receives a substantial portion of its total support and revenues from the federal government. During the year ended June 30, 2013, Southwest Louisiana Primary Health Care Center, Inc. recorded \$1,381,424 in grant support from the Department of Health and Human Services. This represents 37% of total support and revenues for the year ended June 30, 2013.

NOTE 6 - 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 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. Accounts 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 south central Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of June 30, 2013 was as follows:

Medicare	73 %
Medicaid	11
Other	16
	<u>100 %</u>

The mix of net patient revenues for the year ended June 30, 2013 was as follows:

Medicare	1 %
Medicaid	72
Other	27
	<u>100 %</u>

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2013

NOTE 8 – LONG-TERM NOTES PAYABLE

Notes payable for the year ended June 30, 2013 consisted of the following:

Bank note dated March 18, 2011, in the amount of \$260,000, due in 60 equal monthly installments, including interest at a variable interest rate equal to 4.080 percentage points over the Treasury Securities Rate, collateralized by Lafayette building, equipment, and funds on deposit with bank. \$ 176,469

Bank note dated March 18, 2011, in the amount of \$200,000, due in 60 equal monthly installments, including interest at a variable interest rate equal to 4.080 percentage points over the Treasury Securities Rate, collateralized by Lafayette building, equipment, and funds on deposit with bank. 133,390

Construction multiple advance loan dated May 2, 2012, in the amount of \$200,000, interest payable monthly until conversion to amortizing loan with 50 principal and interest payments of \$1,589 commencing on March 2, 2013, plus the final payment of the remaining balance on May 2, 2017, bearing an interest rate of 5.00%, collateralized by real estate and funds on deposit with bank. 196,955

Bank note dated May 2, 2013, in the amount of \$125,500, due in 59 equal monthly payments of \$2,343.64, and one final payment of remaining balance, including interest at of 4.5 percentage points, collateralized by the mobile medical unit. 123,643

Total Debt 630,457

Less current portion (123,182)

Long-term debt \$ 507,275

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Notes to Financial Statements
June 30, 2013

NOTE 8 – LONG-TERM NOTES PAYABLE (Continued)

Maturities of debt are as follows:

<u>June 30,</u>	<u>Amount</u>
2014	\$ 123,182
2015	129,904
2016	136,999
2017	215,397
2018	<u>24,975</u>
Total	<u>\$ 630,457</u>

NOTE 9 – 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 June 30, 2012, from which the summarized information was derived.

NOTE 10 – INVESTMENTS

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair market hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs are inputs (other than quoted prices in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.

Opelousas, Louisiana

Notes to Financial Statements

June 30, 2013

NOTE 10 – INVESTMENTS (Continued)

During the fiscal year ended June 30, 2010, the Organization invested \$100,000 in the Louisiana Partnership of Choice and Access, LLC (LLC). The LLC investors are limited to Federally Qualified Health Centers (FQHC) or FQHC look-alike organizations. The LLC investors owned a 49% interest in Healthy Louisiana Choice, Inc. a Louisiana Corporation.

During the year ending June 30, 2013, the LPC&A sold its equity in a joint venture for \$11 million. The Organization had a participation percentage of 5.16, and accordingly, receiving \$567,595 from the sale.

The following schedule details activity in the investment in LPC&A for the year ending June 30, 2013:

Investment value on June 30, 2012	\$ 100,000
Gain on investment	467,595
Sales proceeds	<u>(567,595)</u>
Investment value on June 30, 2013	<u>\$ -0-</u>

The amortized cost and fair value measured on a recurring basis of an investment in certificates of deposit as of June 30, 2013 is as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit (Level 2 Observable Inputs)	\$ 52,437	\$ 52,437	\$ -0-

NOTE 11 – CAPITAL LEASES

The Organization has entered into various lease agreements for financing the acquisition of pieces of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the lower of the present value of the future minimum lease payments or the fair value of the assets. The assets are depreciated over the lesser of their lease terms or their estimated productive lives. The capitalized cost for these leases was \$45,547 for June 30, 2013.

Depreciation expense on this equipment under capital lease for the year ending June 30, 2013 was \$4,018. The accumulated depreciation on this equipment was \$8,769 at June 30, 2013.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.

Opelousas, Louisiana

Notes to Financial Statements

June 30, 2013

NOTE 11 – CAPITAL LEASES (Continued)

The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2013:

<u>Year Ending June 30,</u>	
2014	\$ 10,305
2015	10,305
2016	7,236
2017	6,213
2018	<u>5,177</u>
Total Minimum Lease Payments	39,236
Less: Amount Representing Interest	<u>4,264</u>
Present Value of Future Minimum Lease Payments	<u>\$ 34,972</u>

NOTE 12 – FAIR VALUE OF 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 at June 30, 2013, does 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, accounts receivable, prepaid expenses, inventory, 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.

NOTE 13 – 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 ended June 30, 2013 was \$444,771.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.

Opelousas, Louisiana

Notes to Financial Statements

June 30, 2013

NOTE 14 – RETIREMENT PLAN

The Organization sponsors a 403 (b) Plan. The Organization will contribute up to three percent on eligible wages of eligible employees. All participating employees are 50% vested after 3 years of employment and 100% vested after 5 years of employment. To be eligible, an employee must be employed with the Organization for at least 180 days and work at least 32 hours per week. The 403(b) expense for the fiscal year ended June 30, 2013 was \$6,691.

NOTE 15 - CONSTRUCTION IN PROGRESS

The Organization has two construction projects in progress at May 31, 2013. The following is a schedule of the project in which the Organization has future obligations:

	<u>Estimated Total Costs</u>	<u>Cost Incurred To Date</u>	<u>Estimated Completion Date</u>
Opelousas Clinic Building	\$ 773,053	\$ 367,285	December 2013

NOTE 16 – SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2013 financial statements for subsequent events through November 20, 2013, 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.

NOTE 17 – PATIENT SERVICE REVENUE

Patient service revenue for fiscal years ending June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Gross patient service revenue	\$1,802,881	\$1,398,945
Contractual allowances and discounts	(582,291)	(478,399)
Bad debts	<u>(30,055)</u>	<u>-0-</u>
Net patient service revenue	<u>\$ 1,190,535</u>	<u>\$ 920,546</u>

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.

Opelousas, Louisiana

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

<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	H27CS02060	3/1/13 - 2/28/14	\$ 1,158,857	\$ 1,158,857
Capital Development	93.526	C8ACS23765	5/1/2012 - 4/30/2015	29,000	29,000
*ARRA-Capital Improvement Grant	93.703	C81CS13886	6/29/2009 – 12/31/2011	222,565	222,565
				<hr/>	<hr/>
Total federal assistance				\$ 1,410,422	\$ 1,410,422

*Denotes major program.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Louisiana Primary Health Care Center, Inc., 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 for Non-Profit Organizations*. The amounts presented in this schedule do not differ from amounts presented in, or used in the preparation of the financial statements.

STEVEN M. DEROUEN & ASSOCIATES

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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
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, 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 Southwest Louisiana Primary Health Care Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Southwest Louisiana Primary Health Care 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Louisiana Primary Health Care Center, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Southwest Louisiana Primary Health Care Center, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Louisiana Primary Health Care Center, Inc.'s 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
November 20, 2013

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
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana

Report on Compliance for Each Major Federal Program

I have audited Southwest Louisiana Primary Health Care 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 Southwest Louisiana Primary Health Care Center, Inc.'s major federal programs for the year ended June 30, 2013. Southwest Louisiana Primary Health Care 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

My responsibility is to express an opinion on compliance for each of Southwest Louisiana Primary Health Care Center, Inc.'s 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 Southwest Louisiana Primary Health Care Center, Inc.'s 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 Southwest Louisiana Primary Health Care Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In my opinion, Southwest Louisiana Primary Health Care Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Southwest Louisiana Primary Health Care 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, I considered Southwest Louisiana Primary Health Care 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, I do not express an opinion on the effectiveness of Southwest Louisiana Primary Health Care Center, Inc.'s internal control over compliance.

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

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
November 20, 2013

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, LA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

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 deficiency 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 deficiency identified not considered to be material weaknesses?	____ Yes <u> x </u> 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 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	U.S. Department of Health and Human Services, Community Health Center Section 330
93.703	ARRA – Capital Improvement Grant

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

Auditee qualified as low-risk auditee? ____ Yes x No

A separate management letter was not issued.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The results of our tests disclosed no instances of non-compliance with the requirements applicable to each major federal program that are required to be reported in accordance with section 510(a) of OMB Circular A-133.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana
Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2013

PRIOR YEAR FINDINGS

None