Innis Community Health Center, Inc.
Batchelor, Louisiana
October 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 2 5 2012

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March 15, 2012

Independent Auditor's Report

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

We have audited the accompanying statement of financial position of the

Innis Community Health Center, Inc.
(A Non-profit Organization)
Batchelor, Louisiana

as of October 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Innis Community Health Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Innis Community Health Center, Inc. as of October 31, 2010, were audited by another auditor, who expressed an unqualified opinion on those financial statements in her report dated May 16, 2011.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Innis Community Health Center, Inc. as of October 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012, on our consideration of the 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Innis Community Health Center, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic 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 taken as a whole.

Yours truly,

Hawthorn, Waymouth & Carroll, LLP

Innis Community Health Center, Inc.
Statements of Financial Position
October 31, 2011 and 2010

Assets

	2011	2010
Current Assets		
Cash and cash equivalents	$213,514	$127,315
Certificate of deposit	60,000	60,000
Patient accounts receivable, net of doubtful accounts of $207,731 for 2011 and $122,706 for 2010	278,096	327,731
Grant funds receivable	101,196	89,153
Prepaid expenses	6,438	28,678
Total current assets	659,244	632,877
Property, Plant and Equipment, net of accumulated depreciation	779,834	670,565
Total assets	1,439,078	1,303,442

Liabilities and Net Assets

Current Liabilities		
Accounts payable	91,562	32,221
Payroll liabilities	2,131	1,596
Accrued salaries	95,501	72,308
Compensated absences payable	45,218	45,333
Accrued expenses	6,400	7,400
Deferred grant revenue	19,357	
Total current liabilities	260,169	158,858
Net Assets		
Unrestricted	1,178,909	1,144,584
Total liabilities and net assets	1,439,078	1,303,442

The accompanying notes are an integral part of these statements.

Innis Community Health Center, Inc.
Statements of Activities
Years Ended October 31, 2011 and 2010

	2011	2010
Changes in Unrestricted Net Assets		
Revenues and Gains		
Net patient service revenue	$1,458,819	$1,165,124
Community care case management fees	18,173	28,314
Patient settlement revenue	25,569	15,531
Pharmacy Revenue	8,073	7,450
Wellcare revenue		765
Other revenue	2,170	1,583
Federal financial assistance	1,422,607	1,524,587
State Grant - DHH - School Based Health Center	127,343	127,969
State Grant - LPCA	107,825	147,376
Other grants and contributions	87,969	56,827
Rental income - gym	8,325	3,600
Investment income	2,092	3,153
Total unrestricted revenues and gains	3,268,965	3,082,279
Net Assets Released from Restrictions		30,000
Total unrestricted revenues, gains and other support	3,268,965	3,112,279
Expenses		
Program services		
Medical	1,544,926	1,605,457
Dental	467,984	400,532
Supporting services		
Management and general	1,036,424	999,820
Total expenses	3,049,334	3,005,809
Bad debt expense	185,306	94,704
Total expenses and losses	3,234,640	3,100,513
Increase in Unrestricted Net Assets	34,325	11,766
Changes in Temporarily Restricted Net Assets		
Net assets released from restrictions - Wurtele Foundation		(30,000)
Decrease in temporarily restricted net assets		(30,000)
Increase (Decrease) in Net Assets	34,325	(18,234)
Net Assets, beginning of year	1,144,584	1,162,818
Net Assets, end of year	1,178,909	1,144,584

The accompanying notes are an integral part of these statements.

Innis Community Health Center, Inc.
Statements of Functional Expenses
Years Ended October 31, 2011 and 2010

	Program Services		Supporting Services Management	2011
	Medical	Dental	and General	Total
October 31, 2011				
Employee compensation and benefits	$1,294,713	$300,534	$683,469	$2,278,716
Occupancy and other rents	46,883	25,245	66,763	138,891
Billing and information systems			97,936	97,936
Purchased services	62,924	31,444	44,752	139,120
Supplies	86,588	50,195	34,573	171,356
Depreciation	30,056	52,978	25,604	108,638
Insurance	14,878	7,588	7,290	29,756
Travel, education and training	8,884		15,783	24,667
License and fees			15,371	15,371
Dues and subscriptions			11,695	11,695
Meeting expenses			15,981	15,981
Medical records			14,456	14,456
Other			2,751	2,751
	1,544,926	467,984	1,036,424	3,049,334

	Program Services		Supporting Services Management	2010
	Medical	Dental	and General	Total
October 31, 2010				
Employee compensation and benefits	$1,308,013	$248,337	$651,322	$2,207,672
Occupancy and other rents	41,044	23,935	63,078	128,057
Billing and information systems			95,741	95,741
Purchased services	97,755	9,291	38,146	145,192
Supplies	109,730	61,496	30,183	201,409
Depreciation	31,229	52,166	27,035	110,430
Insurance	10,451	5,307	5,217	20,975
Travel, education, and training	7,235		27,700	34,935
License and fees			13,564	13,564
Dues and subscriptions			16,511	16,511
Meeting expenses			18,629	18,629
Medical records			10,843	10,843
Other			1,851	1,851
	1,605,457	400,532	999,820	3,005,809

The accompanying notes are an integral part of these statements.

Innis Community Health Center, Inc.
Statements of Cash Flows
Years Ended October 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Cash received from patients and third party payors	$1,508,454	$1,247,890
Cash received from grants and contributions	1,753,060	1,803,201
Cash received from earnings on short-term investments	2,092	3,153
Cash payments to employees	(2,255,102)	(1,917,956)
Cash payments to suppliers	(704,398)	(970,363)
Net cash provided by operating activities	304,106	165,925
Cash Flows From Investing Activities		
Purchase of property and equipment	(217,907)	(297,969)
Adjustment of prior depreciation		(321)
Net cash used in investing activities	(217,907)	(298,290)
Net Increase (Decrease) in Cash	86,199	(132,365)
Cash and Cash Equivalents, beginning of year	127,315	259,680
Cash and Cash Equivalents, end of year	213,514	127,315
Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities:		
Change in Net Assets	$34,325	($18,234)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	108,638	110,429
Bad debt expense	185,306	94,704
(Increase) Decrease in		
Patient accounts receivable	(135,671)	17,427
Grant funds receivable	(12,043)	(51,750)
Other receivables		6,287
Prepaid expenses	22,240	(8,585)
Increase (Decrease) in		
Accounts payable	59,341	4,778
Payroll liabilities	535	(1,272)
Accrued salaries	23,193	2,842
Compensated absences payable	(115)	12,299
Accrued expenses	(1,000)	(3,000)
Deferred grant revenue	19,357	
Net cash provided by operating activities	304,106	165,925

The accompanying notes are an integral part of these statements.

Note 1-Nature of Operations

The Innis Community Health Center, Inc. (the "Center") was incorporated as a Louisiana nonprofit corporation in 1999; operations began in June 2001. The Innis Community Health Center is located in the northern part of Pointe Coupee Parish in the Village of Innis, Louisiana. A satellite clinic opened in Livonia, Louisiana in November 2005.

The Center is a Federally Qualified Health Center that provides primary healthcare services to area communities in need of preventive and affordable healthcare in a prudent and efficient manner, with a caring attitude, regardless of ability to pay. 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 Reporting

The financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. The Center classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted and permanently restricted net assets according to externally (donor) imposed restrictions.

A description of the three new asset categories is as follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Center are included in this category. The Center has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Center and, therefore, the Center's policy is to record these net assets as unrestricted.

- Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions have not been met.

- Permanently restricted net assets are contributions which are required by the donor imposed restriction to be invested in perpetuity and only the income be made available for program operation in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

The Center has no temporarily or permanently restricted net assets as of October 31, 2011 and 2010.

B. 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, and the reported revenues and expenses. Actual results could differ from those estimates.

Note 2-Summary of Significant Accounting Policies (Continued)

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

The Center extends credit to patients, as well as to third-party intermediaries responsible for medical services provided to patients. In most cases, the amount collected is less than the amount billed. The balance in Patient Accounts Receivable is net of contractual adjustments and for the allowance for uncollectible accounts. The Center maintains an allowance to provide for uncollectible accounts based on the estimates of management. When accounts receivable are determined to be uncollectible, they are charged to this account.

E. Property and Equipment

All acquisitions of property and equipment in excess of $500 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.

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 life of the assets, which range from 3 to 10 years for equipment and 15 to 30 years for buildings and leasehold improvements.

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 for all employees, except if 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.

Note 2-Summary of Significant Accounting Policies (Continued)

H. Net Patient Services Revenue

The Center has agreements with third-party payors 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 payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

I. Expense Allocation

Directly identifiable expenses are charged to programs and support services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

J. Income Tax

The Center accounts for income taxes in accordance with income tax accounting guidance included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Center has adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The Center is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Therefore, the Center has not recorded a provision for income taxes in the accompanying financial statements and the Center does not have any uncertain tax positions. The Center files a federal income tax return under U.S. federal jurisdiction. With few exceptions, the Center is no longer subject to U.S. federal examinations by tax authorities for the years before 2008.

K. Other Revenue

Other revenue is derived from services other than providing healthcare services to patients. These primarily include Medicaid community care fees, 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, 2011 and 2010.

Note 3-Certificate of Deposit

At October 31, 2011 and 2010, the Center held investments in a certificate of deposit in the amount of $60,000. The certificate of deposit has an interest rate of 1.01% and 2.01%, respectively, and a term of seven months, with penalties for early withdrawal. The investment is carried at cost, which approximates fair market value.

Note 4-Property and Equipment

Property and equipment activity is summarized as follows as of October 31, 2011:

	November 1, 2010	Additions	Retire-ments	October 31, 2011
Innis Clinic				
Office equipment	$42,230	$3,925		$46,155
Furniture and fixtures	12,188			12,188
Medical equipment	33,019			33,019
Dental equipment	74,878	51,007		125,885
Dental equipment - mobile van	7,831			7,831
Vehicles	18,603	19,502		38,105
Mobile dental van	181,740			181,740
Office building	40,302	1,106		41,408
Dental building	234,938			234,938
Helipad	32,027			32,027
Leasehold improvements	108,825	8,457		117,282
Total Innis Clinic	786,581	83,997		870,578
Livonia Clinic				
Land		75,935		75,935
Office equipment	22,632			22,632
Medical equipment	48,761			48,761
Office building	50,525			50,525
Leasehold improvements	73,322			73,322
Construction in progress	7,107	57,975		65,082
Total Livonia Clinic	202,347	133,910		336,257
School Based Health Clinic				
Office equipment	16,878			16,878
Medical equipment	26,626			26,626
Total school based health clinic	43,504			43,504
Electronic Medical Records Equipment	27,251			27,251
Total assets	1,059,683	217,907		1,277,590
Less: accumulated depreciation	(389,118)	(108,638)		(497,756)
Total property and equipment	670,565	109,269		779,834

Note 4-Property and Equipment (Continued)

Property and equipment activity is summarized as follows as of October 31, 2010:

	November 1, 2009	Additions	Retire-ments	October 31, 2010
Innis Clinic				
Office equipment	$39,922	$2,308		$42,230
Furniture and fixtures		12,188		12,188
Medical equipment	33,019			33,019
Dental equipment	37,996	36,882		74,878
Dental equipment - mobile van	7,831			7,831
Vehicles	18,603			18,603
Mobile dental van	181,740			181,740
Office building	40,302			40,302
Dental building		234,938		234,938
Helipad	32,027			32,027
Leasehold improvements	107,303	1,522		108,825
Total Innis Clinic	498,743	287,838		786,581
Livonia Clinic				
Office equipment	20,992	1,640		22,632
Medical equipment	48,761			48,761
Office building	50,525			50,525
Leasehold improvements	71,937	1,385		73,322
Construction in progress	-	7,107		7,107
Total Livonia Clinic	192,215	10,132		202,347
School Based Health Clinic				
Office equipment	16,878			16,878
Medical equipment	26,626			26,626
Total school based health clinic	43,504			43,504
Electronic Medical Records Equipment	27,251			27,251
Total assets	761,713	297,970		1,059,683
Less: accumulated depreciation	(279,010)	(110,429)	$321	(389,118)
Total property and equipment	482,703	187,541	321	670,565

Note 5-Accrued Expenses

Pointe Coupee General Hospital provided interest-free funding to the Center in the initial stages of development and continues to rent facilities to the Center. The Center maintains a separate and independent governing body, executive director, and staff. As of October 31, 2011 and 2010, the amount due to the Pointe Coupee General Hospital for rent was $6,400 and $7,400, respectively.

Note 6-Deferred Revenue

Deferred Revenue represents grant proceeds received but that will not be expended until next year.

Note 7-Commitments, Concentrations, and Contingencies

Innis Community Health Center, Inc. leases equipment and facilities under operating leases. Total rental expense in 2011 and 2010 was $24,051 and $28,417, 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.

The Center leases four copy machines and other office equipment with monthly base payments of $655 with varying monthly cost per copy charges depending on usage.

Future minimum lease payments for leases that have lease terms of over one year as of October 31, 2011 are as follows:

Fiscal Year	Amount
2011 - 2012	$12,000
2012 - 2013	12,000
2013 - 2014	12,000
2014 - 2015	12,000
2015 - 2016	12,000
	60,000

Concentrations of Credit Risk

The Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivable from patients and third-party payors as of October 31, 2011 and 2010, was as follows:

	Percent	
Payor	2011	2010
Medicaid	31%	36%
Medicare	4%	12%
Sliding fee/ private pay	43%	34%
Managed care and other third-party payors	22%	18%
Total	100%	100%

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

Additionally, 38% and 49% 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, 2011 and 2010.

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.

The Center periodically maintains cash in bank accounts in excess of federally insured limits. The Center has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 8-Tax Deferred Annuity Plan

The Innis Community Health Center, Inc. participates in a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may participate in the employer 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 the Innis Community Health Center, Inc. in the Section 403(b) tax deferred annuity plan. Employees may take their contributions to the 403(b) tax deferred annuity plan upon resignation, termination, etc.

The Innis Community Health Center, Inc. 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 take the employer's contributions to their plan upon resignation, termination, etc. 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 contribution for 2011 and 2010 was $8,270 and $39,418, respectively.

Note 9-Affiliated Organizations

The Innis Community Health Center, Inc. is a member of the Pointe Coupee Parish Health Information Technology Partnership (Pointe Coupee HIT), an unincorporated association of rural healthcare providers and healthcare organizations in Pointe Coupee Parish, Louisiana, whose principal purpose is to coordinate organizational and community-wide implementation of health information technology for the improvement of patient safety, cost, and quality of healthcare. The Pointe Coupee HIT Partnership also includes Pointe Coupee General Hospital, four local rural health clinics, a local community clinic, two private practice primary care clinics, and one home health agency. The goal of the network is to fully implement functional electronic health records with practice management system capabilities. The project is funded by federal funds, passed through the Louisiana Department of Health and Hospitals. Pointe Coupee General Hospital acts as Network Manager for the project. During 2011 and 2010, the Center received $85,000 and $45,168, respectively, from Pointe Coupee General Hospital.

Note 10-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. Recently, government activity has increased with respect to investigations and allegation concerning possible violations of fraud and abuse statues and regulations by healthcare providers.

Violations of these laws are regulations could result in exclusion from government healthcare program participation, together with 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 similar regulatory reviews, managements believes the outcome of any such regulatory review will not have a material adverse effect on the Center's financial position.

Note 11-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 12-Subsequent Events

The Innis Community Health Center, Inc. evaluated all subsequent events through March 15, 2012, 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.

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

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March 15, 2012

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 the financial statements of the Innis Community Health Center, Inc. (a nonprofit organization) as of and for the year ended October 31, 2011, and have issued our report thereon dated March 15, 2012. We conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Innis Community Health Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Innis Community Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Innis Community Health Center, Inc. in a separate letter dated March 15, 2012.

This report is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Hawthorn, Waymouth & Carroll, LLP

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

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
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March 15, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Members of the Board:

We have audited the 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 its major federal programs for the year ended October 31, 2011. The 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Innis Community Health Center, Inc.'s management. Our responsibility is to express an opinion on the Innis Community Health Center, Inc.'s compliance based on our audit.

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 the 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. Our audit does not provide a legal determination of the Innis Community Health Center, Inc.'s compliance with those requirements.

In our opinion, the Innis Community Health Center, Inc. complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2011-1.

Internal Control Over Compliance

Management of the Innis Community Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Innis Community Health Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 the Innis Community Health Center, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-1. 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.

The Innis Community Health Center, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Innis Community Health Center, Inc.'s response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Waymouth & Carroll, LLP

Innis Community Health Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended October 31, 2011

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Direct programs:		
Consolidated Health Centers*	93.224	$1,194,257
ARRA – Grants to Health Center Programs		
ARRA - Increased Services to Health Centers*	93.703	51,836
ARRA -Capital Improvement Program*	93.703	84,956
Subtotal CFDA Number 93.703		136,792
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	91,558
Total U.S. Department of Health and Human Services		1,422,607
Total Expenditures of Federal Awards		1,422,607

* 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, 2011

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Innis Community Health Center, Inc. under programs of the federal government for the year ended October 31, 2011. 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 the 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 the 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 are recognized following cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, 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 2011.

Note 4-Noncash

No federal awards were expended in the form of non-cash assistance during the fiscal year 2011.

Innis Community Health Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended October 31, 2011

Section I - Summary of Auditor's Results

Report on Internal Control and Compliance Material to the Financial Statements

Type of Auditor's report:
Unqualified

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

Federal Awards

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

Type of auditor's report issued on compliance for major programs:
Unqualified

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
93.703	ARRA - Increase Services to Health Center
93.703	ARRA - Capital Improvement Program
93.224	Consolidated Health Centers

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 Findings and Questioned Costs
Year Ended October 31, 2011

Section II - Financial Statement Findings

None reported.

Section III – Federal Award Findings

Finding 2011-1

Condition:
The Health Center has not disbursed funds that were drawn in February and March 2011.

Criteria:
According to the requirements described in the OMB Circular A-133 Compliance Supplement, Federal ARRA funds should be drawn down as needed and may not be placed in an interest bearing account.

Effect:
The Center drew down Federal ARRA money and deposited it into an interest bearing bank account.

Cause:
Internal control system does not provide a method for consulting with authoritative sources for guidance for determining and complying with federal requirements.

Auditor's Recommendation:
Management should only draw down Federal funds as needed.

Management's Response:
The drawdowns of ARRA funds were to cover the already incurred expense of Architectural Services rendered on the Livonia Community Health Center Project. The organization had every intent to issue the funds to the vendor when a situation occurred that halted the progress of the project focusing on the deliverables as promised by the architect on the facility drawings. The organization chose to hold the funds in escrow until the situation could be resolved in order to obtain the deliverables from the architect. In the meantime the architectural firm incurred several unplanned events that posed significant delay on the project such as the death of a family member and internal problems within the company that were of a legal nature. Time passed and the funds were not expended and continued to be held in this separate bank account designated for the construction project within the bank, which was discovered during audit to be of an interest bearing account. This has since been resolved with contact with the HRSA Grant Project manager giving guidance as to the process of payback of the interest, which has been paid back to the Payment Management System.

Innis Community Health Center, Inc.
Schedule of Prior Year Findings and Questioned Costs
Year Ended October 31, 2011

Findings - Financial Audit Statements - Material Weakness in Internal Control

Finding 2010-1:

Condition:

Payments to employees were not reported in the payroll system and therefore not included as taxable compensation. The following transactions escaped reporting in the payroll system:

- Christmas gift cards to various employees, described as "Annual Tenure Adjustment" totaling $11,831.70. Six employees received payments of $500.00, eight received $350.00, twenty-one received $250.00 and nine received $50.00.

Criteria:

Payments to employees for other than de minimis fringe benefits (nominal) are considered taxable compensation by the Internal Revenue Service.

Cause of Condition:

Oversight, the CFO position was in a period of transition.

Effect of Condition:

Employee taxable income and required withholding was not reported to government in accordance with applicable laws. Employee W-2's did not reflect proper income and withholding.

Recommendation:

The CFO should always be consulted in matters affecting payroll tax compliance and should be provided adequate training and reference materials to stay abreast of constantly changing tax laws related to payroll matters.

Client Response:

All taxable income will be reported on the W-2 as appropriate. The CFO will monitor the practice of recording the non-customary income payments to employees.

Resolution:

This finding was resolved in the current year.

Findings - Financial Audit Statements - Material Weakness in Internal Control (Continued)

Finding 2010-2:

Condition:

Records of Paid Time Off (PTO) for employees are not properly monitored by the Center. It was found that for one employee 80 hours of PTO was taken but not deducted from the balance carried forward in payroll service company reports of PTO activity.

Criteria:

An effective internal control system includes the procedure of monitoring to ensure that errors are detected and corrected in a timely manner. An accurate recording of PTO earned and taken is required to maintain an accurate balance of PTO carried forward for employees and for calculation of the liability for compensated absences.

Cause of Condition:

The Center uses a payroll service company for processing payroll and in January of 2010, changed payroll services. Although the employees' hours were properly reported to the payroll service company as PTO, the payroll service company did not record it as such, and therefore the hours were not shown as "taken" and deducted from the balance of PTO carried forward. It appears that there are some "bugs" in the payroll service company's program that an adequate review and reconciliation of payroll reports would have revealed in a timely manner.

Effect of Condition:

Compensated absences payable is a material liability of the Center. Accurate records are critical to ensuring that the balance is fairly stated. Over time, overstatement of the amount of PTO due employees may result in financial hardship for the Center.

Recommendation:

All payroll reports received from the payroll service should be reviewed and reconciled with supporting documentation (time sheets, PTO approval forms, etc.) and also, ensure that the payroll service company has properly designed the program to accurately reflect the Center's personnel policies.

Client Response:

All payroll reports received from the payroll service will be reconciled using supporting documentation, i.e. timesheets, PTO approval forms, etc. After each payroll, PTO will be reconciled with the Netchex Accrual Reports by the CFO and filed with each payroll documentation forms. Discussion is in progress with the payroll service company to determine the best reports to use to accomplish this objective.

Resolution:

This finding was resolved in the current year.

Innis Community Health Center, Inc.
Schedule of Prior Year Findings and Questioned Costs (Continued)
Year Ended October 31, 2011

Federal Award Findings and Questioned Costs

Finding 2010-3:
CFDA No.: 93.703 Program Title: ARRA Capital Improvements Program

Condition:
Contracts with general/site preparation contractor did not include Prevailing Wage Rate or Davis Bacon clauses. There were no contracts with sub-contractors for electrical and plumbing. No weekly payrolls accompanied by signed "Statements of Compliance" submitted by contractor and subcontractors.

Criteria:
Required by Davis Bacon Act and American Recovery and Reinvestment Act Sec. 1606.
All laborers and mechanics employed by contractors and subcontractors to work on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor {40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a-276a-7)}.

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347 which includes the required statement of compliance (OMB 1215-0149).

Effect:
Possible noncompliance with federal compliance requirement.

Questioned Costs:
Unknown - unable to determine labor costs

Cause:
Internal control system does not provide for a method for consulting with authoritative sources for guidance for determining and complying with federal requirements.

Perspective:
Isolated instance, first federally funded construction project

Recommendation:
Personnel in charge of administering federal awards should perform research to determine applicable laws and regulations, become knowledgeable of applicable compliance requirements and consult authoritative guidance.

Federal Award Findings and Questioned Costs (Continued)

Finding 2010-3: (Continued)
CFDA No.: 93.703 Program Title: ARRA Capital Improvements Program

Management's Response and Corrective Action Plan:

The organization had language within its bid advertisement regarding prevailing wage. In researching the issue of paying prevailing wage among the four contractors it was reported that payment to employees has been above the prevailing wage due to the fact of hiring trade employees in a rural area is challenging and therefore wages paid at a higher rate often assists the organization to recruit individuals to work the trade skills. Wage determination on the part of one subcontractor was supplied recently using the form WH-347 indicating the wages from that period.

There was no willful intent on the part of this organization to violate these requirements or required obligations under the Davis Bacon Act.

The organization will remain more diligent to performing this action with the Livonia expansion project which is part of this overall grant CIP award.

Innis Community Health Center will include a clause in all federally supported construction projects the required statement of compliance in each contract. All vendors awarded contracts to perform such work shall be mandated to comply with the requirements as identified in Title 40, Sections 3141-3144, 3146, and 3147.

Resolution:

This finding was resolved in the current year.

Finding: 2010-4:
CFDA No.: 93.703 Program Title: ARRA Capital Improvements Program

Condition:

No verification checks performed to determine if any potential contractors or subcontractors were suspended or debarred.

Criteria:

Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded under a non-procurement transaction (i.e. grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet other certain specified criteria. 2 CFR part 180 implements Executive Orders 12549 and 12689 which restricts contracts with certain parties that are debarred or suspended from participation in Federal Assistance programs or activities. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking with the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA). The information obtained in EPLS is available in printed or electronic formats. The electronic version may be accessed on the internet at http://epls.arnet.gov.

Federal Award Findings and Questioned Costs (Continued)

Finding: 2010-4: (Continued)
CFDA No.: 93.703 Program Title: ARRA Capital Improvements Program

Effect:
Possible non-compliance with federal regulations.

Questioned Cost: N/A

Cause:
Internal Control system does not provide for a method to consult with authoritative source documents for guidance in complying with this requirement.

Perspective:
Isolated instance, few expenditures that meet criteria for this requirement. The Center did send a representative to the manufacturing plant selected to build the modular building to evaluate the quality of work performed and access the reputation of the business.

Recommendation:
Personnel in charge of administering federal awards should perform research to determine applicable laws and regulations, become knowledgeable of applicable compliance requirements, and consult authoritative guidance.

Management's Response and Corrective Action Plan:
Documentation of the contractors was performed after the project. The record of no disbarment or suspension is now included in the file. There were no issues with disbarment or suspension for any of the contractors and research was completed indicating no history ever in these contractors organizations with disbarment or suspension.

There was no willful intent on the part of this organization to violate these requirements or required obligations under the Davis Bacon Act.

The organization will remain more diligent to performing this action with the Livonia expansion project which is par of this overall grant CIP award.

Innis Community Health Center will include a clause in all federally supported construction projects the required statement of compliance in each contract. All vendors awarded contracts to perform such work shall be mandated to comply with the requirements as identified in Title 40, Sections 3141-3144, 3146, and 3147.

Resolution:
This finding was resolved in the current year.

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

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March 15, 2012

To the Board of Directors
and Management of
Innis Community Health Center, Inc.
Batchelor, Louisiana

In planning and performing our audit of the financial statements of the Innis Community Health Center, Inc., as of and for the year ended October 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Innis Community Health Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 15, 2012, on the financial statements of the Innis Community Health Center, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Management Letter Points

Processing of Bank Statements

We noted that the unopened bank statements are given to the Director of Finance. We recommend that the Executive Director receive the unopened bank statements and review them before giving them to the Director of Finance to reconcile the accounts.

Review of Bank Reconciliations

We also noted that the bank reconciliations were not being reviewed by the Executive Director; rather, the Executive Director reviews the outstanding deposits that clear the bank in the subsequent month. We recommend that the Executive Director review the bank reconciliations in their entirety. The Executive Director should also initial and date the bank reconciliations indicating that they have been reviewed.

Dual Signatures on Checks

The Organization's policy states that all checks written for an amount equal to or greater than $3,000 should contain two signatures. The policy indicates that one of the two signatures must be the Executive Director and the other signature must be another authorized signer on the account. During our audit, we noted several checks in excess of $3,000 that contained only one signature. One of those checks was signed only by the Director of Finance, which is not in accordance with the Organization's policy. The Organization should more carefully monitor cash disbursements to comply with its policy. We also feel that the Director of Finance should not be listed as an authorized signer on the bank accounts because of the reconciling responsibilities that the position entails.

Management Letter Points

Processing of Bank Statements

We noted that the unopened bank statements are given to the Director of Finance. We recommend that the Executive Director receive the unopened bank statements and review them before giving them to the Director of Finance to reconcile the accounts.

Management's Response:

The Executive Director will receive and review the unopened bank statements before giving them to the Director of Finance to reconcile.

Review of Bank Reconciliations

We also noted that the bank reconciliations were not being reviewed by the Executive Director; rather, the Executive Director reviews the outstanding deposits that clear the bank in the subsequent month. We recommend that the Executive Director review the bank reconciliations in their entirety. The Executive Director should also initial and date the bank reconciliations indicating that they have been reviewed.

Management's Response:

The Executive Director will review the entire bank reconciliation and will initial and date the reconciliation to notate that it was reviewed.

Dual Signatures on Checks

The Organization's policy states that all checks written for an amount equal to or greater than $3,000 should contain two signatures. The policy indicates that one of the two signatures must be the Executive Director and the other signature must be another authorized signer on the account. During our audit, we noted several checks in excess of $3,000 that contained only one signature. One of those checks was signed only by the Director of Finance, which is not in accordance with the Organization's policy. The Organization should more carefully monitor cash disbursements to comply with its policy. We also feel that the Director of Finance should not be listed as an authorized signer on the bank accounts because of the reconciling responsibilities that the position entails.

Management's Response:

The Director of Finance no longer has check signing capabilities. The Executive Director will more carefully review cash disbursements to ensure that all checks above $3,000 have two signatures in accordance with the Organization's policy.