

Innis Community Health Center, Inc.
Batchelor, Louisiana
October 31, 2016

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**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Karin S. LeJeune, CPA
Alyce S. Schmitt, CPA

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innis Community Health Center, Inc. as of October 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

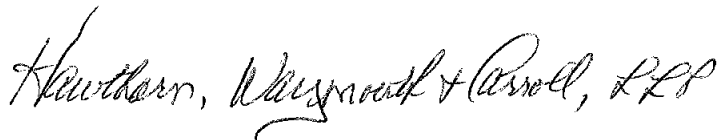
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to agency head or chief executive officer and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2017 on our consideration of Innis Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innis Community Health Center, Inc.'s internal control over financial reporting and compliance.



January 4, 2017

Innis Community Health Center, Inc.
Statements of Financial Position
October 31, 2016 and 2015

	Assets		2016	2015
Current Assets				
Cash and cash equivalents			\$ 687,191	\$ 40,575
Certificate of deposit			60,000	60,000
Patient accounts receivable, less allowance for doubtful accounts of \$421,305 for 2016 and \$251,421 for 2015			411,669	263,187
Grant funds receivable			83,773	412,547
Other receivables			1,050	815
Prepaid expenses			32,863	43,339
Total current assets			1,276,546	820,463
 Property and Equipment,				
net of accumulated depreciation			1,101,415	1,086,997
 Total assets			\$2,377,961	\$1,907,460
Liabilities and Net Assets				
Current Liabilities				
Line of credit			\$ -	\$ 50,000
Accounts payable			70,806	117,456
Accrued expenses			185,088	171,285
Total current liabilities			255,894	338,741
 Net Assets				
Unrestricted			2,122,067	1,568,719
 Total liabilities and net assets			\$2,377,961	\$1,907,460

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

Innis Community Health Center, Inc.
Statements of Activities
Years Ended October 31, 2016 and 2015

	Unrestricted	
	2016	2015
Revenues and Gains		
Patient services revenue		
(net of contractual allowances and discounts)	\$ 2,229,305	\$ 1,534,314
Provision for bad debts	(367,474)	(400,959)
Net patient service revenue, less provision for bad debts	1,861,831	1,133,355
Federal grants	2,782,954	1,805,985
State and other grants	128,723	135,453
Other revenue	101,461	216,152
Total revenues and gains	4,874,969	3,290,945
Expenses		
Program services		
Medical	2,184,358	1,909,301
Dental	756,254	568,146
Supporting services		
Management and general	1,381,009	973,929
Total expenses	4,321,621	3,451,376
Change in Net Assets	553,348	(160,431)
Net Assets, beginning of year	1,568,719	1,729,150
Net Assets, end of year	\$ 2,122,067	\$ 1,568,719

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

Innis Community Health Center, Inc.
Statements of Functional Expenses
Years Ended October 31, 2016 and 2015

	<u>Program Services</u>		<u>Supporting Services</u>	<u>2016 Total</u>
	<u>Medical</u>	<u>Dental</u>	<u>Management and General</u>	
October 31, 2016				
Employee compensation and benefits	\$1,662,475	\$451,987	\$ 928,474	\$ 3,042,936
Occupancy and rents	88,476	46,840	124,907	260,223
Billing and information systems	117,998	58,999	58,999	235,996
Purchased services	133,798	68,386	95,145	297,329
Supplies	117,781	66,973	46,189	230,943
Depreciation	30,091	52,660	24,718	107,469
Insurance	20,017	10,409	9,608	40,034
Travel, education and training	13,722	-	24,394	38,116
Licenses and fees	-	-	13,777	13,777
Dues and subscriptions	-	-	40,927	40,927
Meeting expenses	-	-	11,099	11,099
Other	-	-	2,772	2,772
	<u>\$2,184,358</u>	<u>\$756,254</u>	<u>\$ 1,381,009</u>	<u>\$ 4,321,621</u>

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

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

Innis Community Health Center, Inc.
Statements of Cash Flows
Years Ended October 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Cash received from patients and third party payers	\$1,713,349	\$ 1,185,769
Cash received from grants and contributions	3,240,216	1,889,006
Cash received from other sources	101,461	216,152
Cash payments to employees	(3,029,133)	(2,433,970)
Cash payments to suppliers	<u>(1,207,390)</u>	<u>(782,580)</u>
Net cash provided by operating activities	<u>818,503</u>	<u>74,377</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(121,887)</u>	<u>(27,729)</u>
Net cash used in investing activities	<u>(121,887)</u>	<u>(27,729)</u>
Cash Flows From Financing Activities		
Increase (Decrease) in managed overdraft	-	(21,073)
Increase (Decrease) in line of credit	<u>(50,000)</u>	<u>15,000</u>
Net cash used in financing activities	<u>(50,000)</u>	<u>(6,073)</u>
Net Increase in Cash and Cash Equivalents	646,616	40,575
Cash and Cash Equivalents, beginning of year	<u>40,575</u>	<u>-</u>
Cash and Cash Equivalents, end of year	<u>\$ 687,191</u>	<u>\$ 40,575</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	<u>\$ 85</u>	<u>\$ 928</u>

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

Innis Community Health Center, Inc.
Statements of Cash Flows (Continued)
Years Ended October 31, 2016 and 2015

Reconciliation of Change in Net Assets to Net Cash

Flows From Operating Activities:

Change in net assets	\$ 553,348	\$(160,431)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	107,469	131,128
Bad debt expense	169,884	400,959
(Increase) Decrease in assets:		
Patient accounts receivable	(318,366)	(348,545)
Grant funds receivable	328,774	(57,541)
Other receivables	(235)	5,110
Prepaid expenses	10,476	(28,823)
Increase (Decrease) in liabilities:		
Accounts payable	(46,650)	69,511
Accrued expenses	13,803	67,609
Due to related party	<u> -</u>	<u> (4,600)</u>
Net cash provided by operating activities	<u>\$ 818,503</u>	<u>\$ 74,377</u>

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

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2016

Note 1-Nature of Operations

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

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

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

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

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include those net assets whose use by the Center is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those assets whose use by the Center has been limited by donors to (a) later periods of time or other specific dates, or (b) specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Center’s use of the asset. At October 31, 2016 and 2015, the Center had no temporarily or permanently restricted net assets.

B. Use of Estimates

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

C. Cash and Cash Equivalents

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

D. Patient Accounts Receivable

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

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2016

Note 2-Summary of Significant Accounting Policies (Continued)

E. Property and Equipment

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

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

F. Compensated Absences

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

G. Funding Source

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

H. Net Patient Service Revenue

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

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

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

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2016

Note 2-Summary of Significant Accounting Policies (Continued)

I. Functional Allocation

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

J. Income Tax Status

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

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

K. Other Revenue

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

L. Reclassifications

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

Note 3-Certificate of Deposit

At October 31, 2016 and 2015, the Center had a certificate of deposit in the amount of \$60,000. The certificate of deposit had an interest rate of 0.88% and 0.77% at October 31, 2016 and 2015, respectively, and a term of seven months, with penalties for early withdrawal. The investment is carried at cost, which approximates fair market value.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2016

Note 4-Property and Equipment

Property and equipment activity is summarized as follows as of October 31, 2016 and 2015:

	<u>October 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2016</u>
Land	\$ 75,935	\$ 67,547	\$ —	\$ 143,482
Office equipment	260,021	—	—	260,021
Furniture and fixtures	12,188	42,840	—	55,028
Medical and dental equipment	276,934	5,000	—	281,934
Vehicles	333,308	—	—	333,308
Building and helipad	877,638	—	—	877,638
Electronic medical records	36,631	—	—	36,631
Leasehold improvements	197,304	6,500	—	203,804
Total property and equipment	2,069,959	121,887	—	2,191,846
Less: accumulated depreciation	(982,962)	(107,469)	—	(1,090,431)
 Total property and equipment, net	 <u>\$ 1,086,997</u>	 <u>\$ 14,418</u>	 <u>\$ —</u>	 <u>\$1,101,415</u>

	<u>October 31, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2015</u>
Land	\$ 75,935	\$ —	\$ —	\$ 75,935
Office equipment	260,021	—	—	260,021
Furniture and fixtures	12,188	—	—	12,188
Medical and dental equipment	249,205	27,729	—	276,934
Vehicles	333,308	—	—	333,308
Building and helipad	877,638	—	—	877,638
Electronic medical records	36,631	—	—	36,631
Leasehold improvements	197,304	—	—	197,304
Total property and equipment	2,042,230	27,729	—	2,069,959
Less: accumulated depreciation	(851,834)	(131,128)	—	(982,962)
 Total property and equipment, net	 <u>\$ 1,190,396</u>	 <u>(103,399)</u>	 <u>\$ —</u>	 <u>\$1,086,997</u>

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2016

Note 5-Line of Credit

The Center had a \$60,000 line of credit, of which \$50,000 was drawn as of October 31, 2015. The line was fully paid off and closed in the current year.

Note 6-Related Party Transactions

The Center paid rent to Pointe Coupee General Hospital, an entity related through common board members, in the amount of \$18,000 and \$17,515 for the years ended October 31, 2016 and 2015, respectively.

Note 7-Legal Proceedings

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

Note 8-Operating Leases

The Center leases equipment and facilities under operating leases. Total rental expense included in occupancy and rents in 2016 and 2015 was \$65,353 and \$32,180, respectively.

The Center has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located 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 has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in Maringouin, Louisiana, with payments of \$2,428 per month, terminating November 30, 2018.

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

<u>Fiscal Year</u>	<u>Amount</u>
2016 - 2017	\$41,136
2017 - 2018	41,136
2018 - 2019	14,428
2019 - 2020	12,000
2020-2021	12,000

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2016

Note 9- Concentrations

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Revenues from patients and third-party payers as of October 31, 2016 and 2015 were as follows:

<u>Payer</u>	<u>Percent</u>	
	<u>2016</u>	<u>2015</u>
Medicaid	45%	41%
Medicare	9%	9%
Sliding fee/ private pay	15%	23%
Third-party payers	<u>31%</u>	<u>27%</u>
Total	<u>100%</u>	<u>100%</u>

Additionally, 57% and 55% 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, 2016 and 2015, respectively.

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

At various times during the year, cash and cash equivalents on deposit with one banking institution exceeded the amount insured by the FDIC. Management monitors the financial condition of the institution on a regular basis, along with their balances in cash and cash equivalents, to minimize this potential risk.

Note 10-Tax Deferred Annuity Plan

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

The Center also participates in an employer contribution plan (pension plan). Employees hired after July 1, 2003 are entitled to participate in the employer contribution plan upon completion of one year of service working for the Center. Employees are vested after 3 years of employment, and may withdraw the employer's contributions to their account upon resignation or termination. The Center contributes on behalf of employees at a rate of 2% to 3% of gross salary. Employees receive 3% contributions upon 5 full years of service for the Center. The Center's contributions for 2016 and 2015 were \$27,275 and \$17,493, respectively.

Note 11-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.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2016

Note 11-Laws and Regulations (Continued)

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

Note 12-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 13-Subsequent Events

Innis Community Health Center, Inc. has evaluated all subsequent events through January 4, 2017, the date the financial statements were available to be issued. As a result, the Center noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information

**Innis Community Health Center, Inc.
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended October 31, 2016**

Agency Head Name: Cindy Peavy, Executive Director

Purpose	Amount
Salary	105,000
Benefits - insurance	4,438
Benefits - retirement	2,100
Benefits - cell phone	0
Car allowance	0
Vehicle provided by agency	0
Per diem	0
Reimbursements	2,677
Travel	686
Registration fees	1,835
Conference travel	0
Continuing professional education fees	1,651
Housing	0
Unvouchered expenses	0
Meals	123



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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
Innis Community Health Center, Inc.
Batchelor, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2017.

Internal Control Over Financial Reporting

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

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.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we considered to be a material weakness (2016-001).

Compliance and Other Matters

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

Innis Community Health Center, Inc.'s Response to the Finding

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

Purpose of this Report

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

Hawthorn, Maymuth & Caspell, LLP

January 4, 2017



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Karin S. LeJeune, CPA
Alyce S. Schmitt, CPA

**Independent Auditor's Report
on Compliance for Each Major Program and on Internal
Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Innis Community Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Innis Community Health Center, Inc.'s major federal programs for the year ended October 31, 2016. Innis Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Innis Community Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Innis Community Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Innis Community Health Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Innis Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

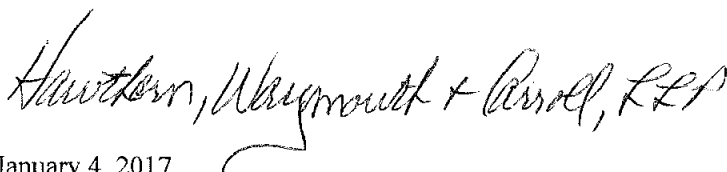
Management of Innis Community Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Innis Community Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Innis Community Health Center, Inc.'s internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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

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



Hawthorn, Weymouth & Carroll, LLP

January 4, 2017

Innis Community Health Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended October 31, 2016

<u>Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services		
Health Centers Cluster*		
Consolidated Health Centers	93.224	\$ 555,276
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	<u>1,996,471</u>
Total Health Centers Cluster		2,551,747
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	230,209
Grants for Capital Development in Health Centers	93.526	<u>998</u>
Total Expenditures of Federal Awards		<u>\$2,782,954</u>

* Denotes major programs

Innis Community Health Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended October 31, 2016

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Innis Community Health Center, Inc. under programs of the federal government for the year ended October 31, 2016. The information in this Schedule is presented in accordance with the requirements of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), under 2 CFR 200, subpart F. Because the Schedule presents only a selected portion of the operations of Innis Community Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Innis Community Health Center, Inc.

Note 2-Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles in accordance with the provisions of 2 CFR 200, Subpart E - Cost Principles, for any awards made after January 4, 2017, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3-Subrecipients

Innis Community Health Center, Inc. did not pass-through any of its federal awards to a subrecipient during the fiscal year ended October 31, 2016.

Note 4-Non-cash Assistance

No federal awards were expended in the form of non-cash assistance during the fiscal year ended October 31, 2016.

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report:

Unmodified

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:

X Yes _____ No

* Significant deficiencies identified that are not considered to be material weaknesses:

_____ Yes X None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200-516(a) of the Uniform Guidance:

X Yes _____ No

Identification of major programs:

CFDA Numbers
93.224/93.527

Federal Program or Cluster
Health Centers Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee:

_____ Yes X No

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2016

Section II - Financial Statement Findings

None.

Section III – Federal Award Findings

Material Weaknesses

2016-001: Improper Patient Charges
CFDA 93.224/93.527: Health Centers Cluster

Condition:

The Center billed certain patient charges using an inaccurate CPT code.

Criteria:

The Center should charge patients for procedures using the proper CPT code.

Effect:

Using improper CPT codes leads to improper billing and the possibility of lost revenue.

Cause:

There was confusion regarding similar CPT codes for similar procedures.

Perspective:

Finding represents an isolated instance for one CPT code. All other CPT codes tested appeared properly billed.

Auditor's Recommendation:

Management should educate staff properly regarding procedures and CPT codes and the billing manager should review each code for accuracy before billing.

Management's Response:

In June 2016, Innis Community Health Center, Inc. updated the fee schedule for all locations. In review of the Current Procedure Terminology codes it was discovered that there was another code for a urinalysis that better described the procedure that 4 out of the 5 clinics performed. At that time, the code was added to the fee schedule along with the price and the old code was deleted. The fee schedule was distributed after approval by the board. The code and price were added to Greenway (EHS) at that time and the old code was inactivated. Somewhere along the way the code was activated again without it being brought to management's attention. Information was not distributed to nurses and providers on the update to begin using the new urinalysis code. Clinics continued to use the old code so when an audit was done of the codes the fee schedule did not match the charges in the computer. There is still one clinic using the old urinalysis code because that clinic is not automated so at this time the code cannot be inactivated so it will be educating the providers and nurses at the other 4 locations on what code to choose when a urinalysis is performed.

Corrective Action Plan:

Educate front line staff on the appropriate codes for UA. Educate Billing on UA Codes to assure checks and balances are in place to catch coding discrepancies. Create check and balance procedures for EMR configuration to validate fee schedules twice yearly, for any fee schedule changes. This procedure will be performed by 2 individuals instead of 1 to ensure any exceptions are addressed in EMR configuration.

Innis Community Health Center, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended October 31, 2016

Section II - Financial Statement Findings

Significant Deficiencies

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

The Center lacked supporting documentation for journal entries to cash. Journal entries should have proper supporting documentation and a detailed explanation for the purpose of the entry.

Status: This finding has been resolved in the current year.

2015-002: Timeliness of Physician Credentialing

Due to delays in the physician credentialing process, the Center was not reimbursed for services provided, resulting in lost revenue. Health Centers are required to maximize revenue from public and third party payers. In addition, they are required to make “every reasonable” effort to collect “appropriate reimbursement” from Title XVIII of the SSA (Medicare Program), Medicaid, CHIP, and other public assistance programs, as well as third party payers used by their patient populations.

Status: This finding has been resolved in the current year.

Section III – Federal Award Findings

Material Weaknesses

2015-003: Material Audit Adjustment for Grant Revenue
CFDA 93.224/93.527: Health Centers Cluster

The Center did not properly record grant revenue in the general ledger, which resulted in a material increase adjustment to grant revenue. Grant revenue should have been recognized when the related expenditures were incurred.

Status: This finding has been resolved in the current year.

2015-004: Material Audit Adjustment for Grant Revenue
CFDA 93.912: Rural Health Care Services Outreach, Rural Health Network Development
and Small Health Care Provider Quality Improvement Program

The Center did not properly record grant revenue in the general ledger, which resulted in a material increase adjustment to grant revenue. Grant revenue should have been recognized when the related expenditures were incurred.

Status: This finding has been resolved in the current year.