

# COMMON GROUND HEALTH CLINIC, INC.

## FINANCIAL REPORT

For the Year Ended December 31, 2014 and 2013



**CRI** CARR  
RIGGS &  
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**Common Ground Health Clinic, Inc.**  
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**December 31, 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Common Ground Health Clinic, Inc.  
Algiers, Louisiana

We have audited the accompanying financial statements of Common Ground Health Clinic, Inc., which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated 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 Common Ground Health Clinic, Inc. as of December 31, 2014, and the changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements as of December 31, 2013, were audited by other auditors, whose report dated September 8, 2014, expressed an unmodified opinion on those statements.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer is required by Louisiana Revised Statute 24:513(A)(3) and is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 June 26, 2015, on our consideration of Common Ground Health Clinic, Inc. 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 Common Ground Health Clinic, Inc.'s internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, LLC*

June 26, 2015

## FINANCIAL STATEMENTS

**Common Ground Health Clinic, Inc.**  
**Statements of Financial Position**

<i>As of December 31,</i>	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,483	\$ 37,595
Accounts receivable, net	41,102	21,435
Grants receivable	-	121,316
Prepays and other assets	19,595	16,469
Total Current Assets	69,180	196,815
<b>PROPERTY AND EQUIPMENT, net</b>		
Land held for development	12,000	111,470
Leasehold improvements, furniture, and equipment, net	31,628	25,756
Total Property and Equipment, Net	43,628	137,226
<b>TOTAL ASSETS</b>	<b>\$ 112,808</b>	<b>\$ 334,041</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 29,197	\$ 113,083
Line of credit	2,412	9,827
Total Current Liabilities	31,609	122,910
<b>NET ASSETS</b>		
Unrestricted	49,998	177,798
Temporarily restricted	31,201	33,333
Total Net Assets	81,199	211,131
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 112,808</b>	<b>\$ 334,041</b>

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

**Common Ground Health Clinic**  
**Statements of Activities and Changes in Net Assets**

<i>For the Year Ended December 31,</i>	<i>2014</i>	<i>2013</i>
<b>UNRESTRICTED SUPPORT AND REVENUES</b>		
Net patient service revenue, net of	\$ 809,549	\$ 1,002,629
Provision for bad debts	(333,049)	(152,415)
Net patient service revenue, less provision for bad debts	476,500	850,214
Grants - governmental	758,217	121,316
Grants - foundation, trust, and non-profit	82,121	49,102
Donated service	29,972	7,537
Contributions	-	13,062
Fundraising	-	5,358
Donated medical supplies	-	4,356
Fresh market	460	13,482
Other income	1,569	48,900
Total Support and Revenues	1,348,839	1,113,327
Net assets released from restrictions- grants	8,238	14,887
Total Unrestricted Support and Revenues	1,357,077	1,128,214
<b>OPERATING EXPENSES</b>		
Health care	807,152	832,184
Management and general	677,725	416,789
Total Operating Expenses	1,484,877	1,248,973
CHANGE IN UNRESTRICTED NET ASSETS	(127,800)	(120,759)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Increase in temporarily restricted net assets -		
Grants - foundation, trust, and non-profit	6,106	33,333
Net assets released from restrictions	(8,238)	(14,887)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(2,132)	18,446
CHANGE IN NET ASSETS	(129,932)	(102,313)
NET ASSETS - Beginning of year	211,131	313,444
<b>NET ASSETS - End of year</b>	<b>\$ 81,199</b>	<b>\$ 211,131</b>

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

**Common Ground Health Clinic, Inc.**  
**Statement of Functional Expenses**

*For the Year Ended December 31,*

**2014**

	Health Care	Management and General	Total Expenses
<b>EXPENSES</b>			
Accounting fees	\$ -	\$ 96,987	\$ 96,987
Bank fees	-	2,883	2,883
Biohazard and trash removal	3,886	5,829	9,715
Computer services	-	1,104	1,104
Depreciation	-	7,440	7,440
Fundraising/marketing events	-	1,559	1,559
Insurance	72,343	7,155	79,498
Interest	-	430	430
Lab testing and diagnostics	13,603	-	13,603
Licenses and membership dues	-	4,730	4,730
Office expenses	-	21,268	21,268
Patient billing services	27,216	-	27,216
Postage	-	1,216	1,216
Professional fees and contract labor	-	218,691	218,691
Rent	18,812	784	19,596
Repairs and maintenance	12,031	1,959	13,990
Salaries, related payroll taxes and benefits	613,205	163,004	776,209
Supplies	4,053	7,526	11,579
Travel, conferences, and staff development	28,123	-	28,123
Utilities	2,981	18,314	21,295
Volunteer and patient meals	249	-	249
Equipment Lease/Rental	5,265	8,590	13,855
Loss due to property impairment	-	99,470	99,470
Other	5,385	8,786	14,171
<b>Total Expenses</b>	<b>\$ 807,152</b>	<b>\$ 677,725</b>	<b>\$ 1,484,877</b>

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

**Common Ground Health Clinic, Inc.**  
**Statement of Functional Expenses**

*For the Year Ended December 31,*

**2013**

	Health Care	Management and General	Total Expenses
EXPENSES			
Accounting fees	\$ -	\$ 54,448	\$ 54,448
Bank fees	-	3,985	3,985
Biohazard and trash removal	1,987	2,980	4,967
Computer services	-	8,186	8,186
Depreciation	715	6,008	6,723
Donated services	11,889	-	11,889
Fundraising/marketing events	-	13,891	13,891
Insurance	68,769	6,801	75,570
Interest	-	536	536
Lab testing and diagnostics	17,161	-	17,161
Licenses and membership dues	-	2,588	2,588
Office expenses	-	17,969	17,969
Patient billing services	12,550	-	12,550
Postage	-	2,419	2,419
Professional fees and contract labor	8,268	68,458	76,726
Rent	17,280	720	18,000
Repairs and maintenance	13,509	2,199	15,708
Salaries, related payroll taxes and benefits	646,383	171,823	818,206
Supplies	7,502	13,931	21,433
Travel, conferences, and staff development	9,789	-	9,789
Utilities	2,936	18,038	20,974
Volunteer and patient meals	79	-	79
Equipment Lease/Rental	575	937	1,512
Other	12,792	20,872	33,664
Total expenses	\$ 832,184	\$ 416,789	\$ 1,248,973

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

**Common Ground Health Clinic**  
**Statements of Cash Flows**

<i>For the Year Ended December 31,</i>	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (129,932)	\$ (102,313)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	7,440	6,723
Loss due to property impairment	99,470	-
Change in operating assets and liabilities:		
Accounts receivable	(19,667)	188,588
Grants receivable	121,316	(95,394)
Prepays and other assets	(3,126)	51,650
Accounts payable and accrued liabilities	(83,886)	26,137
Net cash (used in) provided by operating activities	(8,385)	75,391
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(13,312)	(13,013)
Net cash used in investing activities	(13,312)	(13,013)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	10,000	25,000
Payments on line of credit	(17,415)	(15,173)
Payments on notes payable	-	(48,466)
Net cash used in financing activities	(7,415)	(38,639)
Net change in cash and cash equivalents	(29,112)	23,739
Cash and cash equivalents, at the beginning of year	37,595	13,856
Cash and cash equivalents, at the end of year	\$ 8,483	\$ 37,595
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 430	\$ 536

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Operations***

Common Ground Health Clinic, Inc. (the Clinic) is a community-based, non-profit clinic that provides high quality health care for the greater New Orleans community and develops and provides programs to address community health care needs through collaborative partnerships. In order to assist in meeting its goals and mission of providing services as a primary health care clinic, the Clinic relies primarily on federal, state, and city programs as well as private sources and various grants for on-going financial support for the operation of the Clinic.

The Clinic was founded on September 9, 2005, just days after Hurricane Katrina devastated the Gulf Coast. The Clinic became a registered 501(c)(3) tax exempt organization in April 2006.

In 2013, the Clinic launched the Old Algiers Harvest Fresh Market in collaboration with several partnering organizations, and was awarded Federally Qualified Health Center (FQHC) status.

The Clinic is governed by a Board of Directors, all of whom may serve a term of one, two, or three years.

***Basis of Reporting***

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recognized when liabilities are incurred.

***Basis of Presentation***

The Clinic 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 net 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 Clinic are included in this category. The Clinic has determined that any donor-imposed restrictions for current or developing programs and activities met within the operating cycle of the Clinic are recorded as unrestricted net assets.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Permanently restricted net assets* are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions. There were no permanently restricted net assets as of December 31, 2014.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the Clinic considers all investments purchased with a maturity of three months or less to be cash equivalents.

***Accounts Receivable, net***

Patient receivables are recorded net of contractual allowances and bad debt allowances. Management estimates contractual allowances in accordance with the reimbursement rates in the contractual arrangements. Management estimates bad debt allowances based upon management's assessment of historical and expected net collections, business and economic conditions, and other collection indicators. The primary uncertainty lies within uninsured patient receivables and deductibles, co-payments, and other amounts due from individual patients. Patient receivables are written off when deemed uncollectible and recoveries of receivables previously written off are recorded when received.

***Property and Equipment, net***

Leasehold improvements, furniture, and equipment of the Clinic are recorded as assets and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Leasehold improvements, furniture, and equipment are depreciated over the shorter of the estimated useful life of the asset or the lease term. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows: leasehold improvements 5 to 7 years; furniture and equipment 3 to 10 years.

***Revenue Recognition***

Medicare, Medicaid, and patient revenues are reported at the estimated net realizable amounts for services rendered. Revenues received under government grant programs are recognized when earned. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Electronic Health Records (EHR) Incentive Payments***

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that adopt and meaningful use certified EHR technology. These incentive payments are determined based on a formula, including inputs such as charity charges and total discharges. The revenue associated with EHR incentive payments is recognized by the Clinic when management can provide reasonable assurance that the Clinic will be able to demonstrate compliance with the meaningful use objectives for that reporting period and that the incentive payments will be received by the Clinic. Because these incentive payments are based on management's best estimate, the amounts recognized are subject to change. Any changes resulting from a change in estimate would be recognized within operations in the period in which they occur. In addition, these payments and the related attestation of compliance with meaningful use objectives are subject to audit by the federal government or its designee.

For the year ended December 31, 2014, the Clinic did not recognize any revenue related to EHR incentive payments. For the year ended December 31, 2013, the Clinic recognized \$42,528 of revenue related to EHR incentive payments which is included in other revenues in the accompanying statement of activities and change in net assets. This amount was recognized when received and is included in other income on the statement of activities and change in net assets.

***Donated Services and Medical Supplies***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Clinic. Donated medical supplies are recorded as received and include medications and related medical supplies donated to the Clinic.

***Functional Allocation of Expenses***

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities and change in net assets and statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on actual amounts or management's best estimate.

***Compensated Absences***

The Clinic allows three months compensated sick leave to carry over from any prior fiscal year. Unused compensated absences are paid out to employees on a case-by-case basis based solely on management's discretion, and thus are not estimable for financial statement reporting purposes.

**Common Ground Health Clinic, Inc.**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Income Taxes***

The Clinic has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Management believes there are no uncertain tax positions included in the financial statements.

***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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: CASH AND CASH EQUIVALENTS**

The Clinic maintains its cash in a bank deposit account at a financial institution. The current balance covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) is \$250,000 for interest bearing accounts and non-interest bearing accounts alike.

The bank balances for the Clinic, at times, may exceed federally insured limits. Management has not experienced any losses in the past, and does not believe the Clinic is exposed to a significant amount of credit risk. The Clinic had no uninsured funds as of December 31, 2014 and 2013.

**NOTE 3: LEASEHOLD IMPROVEMENTS, FURNITURE, AND EQUIPMENT**

As of December 31, 2014 and 2013 such assets and related accumulated depreciation consisted of the following:

	2014	2013
Leasehold improvements	\$ 31,621	\$ 31,621
Furniture and equipment	179,880	166,568
(Accumulated depreciation)	(179,873)	(172,433)
Total, net	<u>\$ 31,628</u>	<u>\$ 25,756</u>

**NOTE 4: LAND HELD FOR DEVELOPMENT**

The Clinic purchased a building and land located on Newton Street in New Orleans, Louisiana in May 2009, as a possible future permanent site for the Clinic. Through December 31, 2011, the Clinic had incurred \$148,826 in capital expenses related to the purchase and development of the site.

The Clinic's initial plan was to renovate and refurbish the existing building located at the site. However, during the year ended December 31, 2011, the Clinic decided to demolish the building in lieu of renovating it. As a result, the Clinic recorded a non-operating expense in 2011 related to the disposal of the building in the amount of \$37,356, the amount of the original purchase price allocated to the building at acquisition.

During 2012, no additional development of the site occurred; the net book value after the disposal in 2011 was \$111,470. There are \$40,000 of unpaid architect fees related to costs that were incurred in 2011 and were still unpaid and included in accounts payable at December 31, 2013. The Clinic paid \$10,028 of the fees in 2014 and the architect agreed to waive payment and donate the services to the Clinic.

Subsequently in 2014, the board decided to abandon development plans and write-off \$99,470 of related capitalized amounts.

**NOTE 5: NOTES PAYABLE AND LINE OF CREDIT**

On May 30, 2013, the Clinic executed a \$20,000 line of credit agreement with a bank that matures June 1, 2018 bearing an interest rate of 2.0% plus the U.S. prime rate, which was 5.75% at December 31, 2013. The balance outstanding at December 31, 2014 and 2013 was \$2,412 and \$9,827, respectively.

Interest paid during 2014 and 2013 totaled \$430 and \$371, respectively.

**NOTE 6: GRANT REVENUES**

In order to assist in meeting its goals and mission of providing services as a primary health care clinic, the Clinic has applied for and has been awarded various grants from both governmental and private programs as described below.

***Health Resources and Services Administration (HRSA) Grant*** – In November 2013, the Clinic was awarded a HRSA grant totaling \$758,333 for the project period November 1, 2013 through December 31, 2014 administered by the U.S. Department of Health and Human Services, which reimburses specified operational expenses associated with the care of the Medicare, Medicaid, and uninsured populations.

**Common Ground Health Clinic, Inc.**  
**Notes to Financial Statements**

**NOTE 7: PATIENT REVENUES**

The Clinic provides medical assistance to eligible Medicaid and Medicare recipients and receives reimbursements from the State of Louisiana's Department of Health and Hospitals and the U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) for claims submitted in conjunction with those services provided. As an FQHC, the Clinic receives a fixed rate per encounter for its Medicare, Medicaid, and the Medicaid Greater New Orleans Community Health Connection (GNOCHC) waiver program. The Clinic also has agreements with other third party payors that provide for payments to the Clinic at amounts different from its established billing rates.

The Medicare intermediary for Medicare patients reimburses for services rendered to Medicare program beneficiaries under an all-inclusive rate for each visit that is subject to audit and retroactive adjustments. Management does not believe that the ultimate outcome of any cost report audit will have a significant impact on the Clinic's financial statements.

Most of the Clinic's patients are Greater New Orleans residents insured under third-party payor agreements. The mix of revenues from third-party payors for the year ended December 31, 2014 and 2013 were as follows:

	2014	2013
GNOCHC	56%	71%
Medicaid	8%	4%
Medicare	4%	4%
Other insurance	4%	1%
Self pay	28%	20%
Total	<u>100%</u>	<u>100%</u>

In addition to the Medicare, Medicaid, and grant programs, the Clinic also provides healthcare to patients who do not qualify for these programs at a discounted cost. For the year ended December 31, 2014 and 2013 the Clinic recognized \$54,108 and \$55,679, respectively, in net patient revenues related to these patients.

**NOTE 8: LEASES**

During the years ended December 31, 2014 and 2013, the Clinic had rent and leasing expense related to its medical and administrative office space for \$19,596 and \$18,000, respectively. The rent and lease agreements are renewed annually.

The Clinic leases various types of equipment for its operations which are included in office expenses. The lease agreements expire between June 2016 and December 2020.

**Common Ground Health Clinic, Inc.**  
**Notes to Financial Statements**

**NOTE 8: LEASES (CONTINUED)**

Future minimum lease obligations are as follows for the years ending December 31:

2015	11,005
2016	10,735
2017	10,465
2018	10,465
2019	10,465
Thereafter	1,385
<hr/>	
Total	\$ 66,243

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

The Clinic is a recipient of several grants and awards of federal, state, and private foundation funds. These grants and awards are governed by various federal, state, and private foundation guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants and awards is under the contract and administration of the Clinic and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

The Clinic participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides for malpractice coverage to the Clinic for claims in excess of \$100,000 and up to \$500,000 per claim. According to state law, medical malpractice liability (exclusive of future medical care awards and litigation expenses) is limited to \$500,000 per occurrence. The Clinic purchased commercial insurance that provides coverage for medical malpractice up to \$2,000,000 per claim and \$2,000,000 in the aggregate in excess of the Fund limits. There were no medical malpractice cases outstanding as of December 31, 2014 and 2013.

**NOTE 10: ECONOMIC DEPENDENCY**

The primary source of revenue for Common Ground Health Clinic is federal, state and local grants and contracts provided through various funding agencies. The continued success of Common Ground Health Clinic is dependent upon renewal of contracts from current funding sources as well as Common Ground's ability to obtain new funding.

The state Medicaid program (GNOCHC) was originally scheduled to end in December 31, 2013 but was extended through June 2016. Any further extensions of the program are not known as of the date these financial statements were available to be issued. During the years ended December 31, 2014 and 2013, the Clinic received 34% and 64% of its revenue from the GNOCHC program respectively.

**NOTE 10: DEFINED CONTRIBUTION PLAN**

All full-time employees meeting the minimum age and years of service requirements are covered by a defined contribution plan under the provisions of the Internal Revenue Code Section 401(k). Eligible employees who wish to participate are allowed to contribute up to maximum limits imposed by law of their annual compensation. The Clinic makes matching contributions of the employees' contribution up to the first 6% contributed for each participating employee. The Clinic incurred \$7,016 and \$3,797 during the year ended December 31, 2014 and 2013, respectively, for administrative costs and matching contributions.

**NOTE 11: OPERATING RESULTS AND LIQUIDITY**

As shown in the accompanying statement of activities, the Clinic incurred an overall decrease in net assets of (\$129,932) for the year ended December 31, 2014 and although current assets exceed current liabilities by \$37,571 as of December 31, 2014, the Clinic has experienced liquidity issues throughout 2014 due to timing of receipt of funding from various sources and continued reductions in revenue from these sources.

Management's plan to remediate the operating cash flow difficulties and operating losses are to continue to identify additional funding streams including applying for new grants, increasing fundraising efforts targeted at private donors, and marketing to attract a wider patient base. In November of 2013, the Clinic was awarded a HRSA grant totaling \$758,333 (See Note 6). On August 4, 2014, this grant was increased to \$810,931. In addition, management continues to implement various cost-reduction strategies to reduce operating expenses.

**NOTE 12: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 26, 2015, and determined that no events occurred that require disclosure.

## **OTHER REPORTS AND SUPPLEMENTARY SCHEDULES**

**COMMON GROUND HEALTH CLINIC  
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY  
HEAD OR CHIEF EXECUTIVE OFFICER**

Agency Head Name: Preston Wright

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 27,606
Benefits-insurance	1,340
Benefits-retirement	0
Benefits-medicare	400
Benefits-worker's compensation	0
Benefits-unemployment	0
Cell phone and Ipad dues	132
Uniforms	0
Per diem	0
Reimbursements-advertising	0
Travel	247
Fuel usage	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0
<b>Total</b>	<b>\$ 29,724</b>

See accompanying independent auditor's report

**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***

To the Board of Directors of  
Common Ground Health Clinic, Inc.  
New Orleans, 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 Common Ground Health Clinic, Inc. (the Clinic), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated June 26, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Clinic'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 the Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinic'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 Clinic's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2013-01 and 2013-02).

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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Clinic'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-01, 2014-02, and 2014-03.

## **Common Ground Health Clinic, Inc. Response to Findings**

The Clinic's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Clinic'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 Clinic'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 Clinic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Carr, Riggs & Ingram, LLC*

June 26, 2015

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

To the Board of Directors of  
Common Ground Health Clinic, Inc.  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited Common Ground Health Clinic, Inc. (the Clinic) 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 the Clinic's major federal programs for the year ended December 31, 2014. The Clinic's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current year 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 the Clinic's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clinic'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 the Clinic's compliance.

### **Basis for Qualified Opinion on Health Centers Program**

As described in the accompanying schedule of findings and questioned costs, Common Ground Health Clinic did not comply with requirements regarding CFDA #93.224, Health Centers Program, as described in finding numbers 2014-01, 2014-02, and 2014-03 for Program Income. Compliance with such requirements is necessary, in our opinion, for Common Ground Health Clinic to comply with the requirements applicable to that program.

### **Qualified Opinion on Health Centers Program**

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, Common Ground Health Clinic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Health Centers Program for the year ended December 31, 2014.

### **Other Matters**

Common Ground Health Clinic Inc.’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Clinic’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 the Clinic 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 the Clinic’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clinic’s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2014-04).

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

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

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Clinic as of and for the year ended December 31, 2014, and have issued our report thereon dated June 26, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Carr, Riggs & Ingram, LLC*

June 26, 2015

**Common Ground Health Clinic, Inc.**  
**Schedule of Expenditures of Federal Awards**

<u>Federal Grantor/ Pass through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services Direct Programs Consolidated Health Centers (Community Health Centers, Migrant Health Centers. Health Care for the Homeless, and Public Housing Primary Care)	93.224	\$ 758,217
Total Expenditures of Federal Awards		\$ 758,217

*See independant auditor's report.*



**Common Ground Health Clinic, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures from federal awards of Common Ground Health Clinic, Inc. All federal awards were received directly from Federal agencies.

**NOTE 2 - BASIS OF ACCOUNTING**

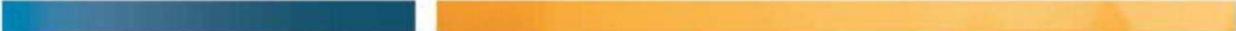
The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Clinic and is presented on the accrual basis of accounting.



**Common Ground Health Clinic, Inc.**  
**Schedule of Current Year Findings and Questioned Costs**

**PART I – SUMMARY OF AUDITOR’S RESULTS**

1. Type of report issued on the financial statements: **Unmodified.**
2. Did the audit disclose any reportable conditions in internal control: **Yes**
3. Were any of the reportable conditions material weaknesses: **Yes**
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization: **None Reported**
5. Did the audit disclose any reportable conditions in internal control over major programs: **Yes**
6. Were any of the reportable conditions in internal control over major programs material weaknesses: **Yes**
7. Type of report issued on compliance for major programs: **Qualified**
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a): **Yes**
9. The following is an identification of major programs:  
  
***Consolidated Health Centers, CFDA #93.224***
10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was **\$500,000.**
11. Did the auditee qualify as low-risk under OMB Circular A-133, Section 530: **No**



**Common Ground Health Clinic, Inc.**  
**Schedule of Current Year Findings and Questioned Costs**

**PART II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**2013-01 – Material weakness in financial close and reporting process**

<b>Criteria:</b>	The Clinic should have a system of internal control over financial reporting to ensure accurate financial reporting.
<b>Condition:</b>	In an effort to reduce operating expenses in 2013, the third party CPA which oversaw the monthly financial close and reporting process was changed to a less expensive contractor. Subsequent to this change, there was additional turnover in this role throughout the remainder of 2013 and through May 2014. As a result, internal controls over the monthly financial close and reporting process were not in effect during the last two quarters of 2013.
<b>Cause:</b>	The Clinic did not have policies and procedures in place to ensure proper recording and monitoring of critical accounting processes.
<b>2013 Response:</b>	The Clinic not only experienced turnover in the accounting function but also in the executive director position in 2014. The board of directors quickly identified an interim executive director as well as hired a reputable third party CPA to, among other things, review internal controls and implement recommendations to strengthen internal controls over the financial close and reporting process.
<b>2014 Finding (Update):</b>	The Clinic and the third party CPA developed policies, procedures, and related internal controls over financial reporting and a full time CFO was hired in December 2014. However these policies, procedures, and controls were not implemented by the Clinic until January 2015.
<b>Effect:</b>	Without adequate internal controls over financial reporting, the Clinic's financial information may contain material misstatements.
<b>Recommendation:</b>	The Clinic should implement the policies, procedures, and internal controls that were drafted in 2014.



**Common Ground Health Clinic, Inc.**  
**Schedule of Current Year Findings and Questioned Costs**

**2013-02 – Material weakness related to misappropriation of assets.**

<b>Criteria:</b>	The Clinic should have a system of internal controls over disbursements to ensure the safeguarding of assets.
<b>Condition:</b>	Management identified misappropriation of assets committed by an employee of the clinic relating to personal expenses charged to the Clinic as operating expenses. The results of a subsequent forensic review by a third party, indicated the total asset misappropriation was approximately \$4,900. Controls over the expenditure process were not operating effectively during the period sufficient to prevent/detect improper expenses on a timely basis.
<b>Cause:</b>	The Clinic did not have policies and procedures in place to ensure proper internal control over disbursements.
<b>2013 Response:</b>	Upon identification of the original asset misappropriation, the Board engaged a third party CPA to perform a forensic review of the books and records which further indicated that there were various expenses that were improperly paid/expensed that were of a personal nature. The board has engaged a third party CPA to, among other things, review internal controls and implement recommendations to strengthen internal controls over the procurement process and payroll process.
<b>2014 Finding (Update):</b>	The Clinic engaged a third party CPA to develop a system of policies and procedures and related internal controls over financial reporting including cash disbursements. Controls over cash disbursements were implemented in October 2014.
<b>Effect:</b>	The Clinic's funds have been misappropriated.
<b>Recommendation:</b>	The Clinic should continue to utilize the controls over cash disbursements that were implemented in 2014.



**Common Ground Health Clinic, Inc.**  
**Schedule of Current Year Findings and Questioned Costs**

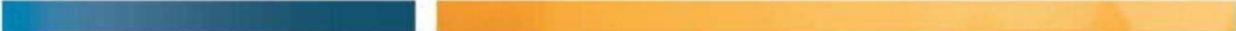
**PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2014-01 – Failure to Correctly Apply Sliding Fee Scale**

<b>Criteria:</b>	The program income compliance requirement of the HRSA grant requires the clinic to utilize a sliding fee scale and use it uniformly to all eligible patients.
<b>Condition:</b>	Patients whose income is at or below 100% of the FPG pay either a nominal fee of \$20 for a household size of one, to an upward range of \$40 for a household size of eight. The Clinic has not ensured that the scale is applied equally to all eligible patients and has not made signs available in the check in area to communicate the availability of the sliding fee scale discount for qualified patients.
<b>Cause:</b>	The Clinic has not posted the sliding fee scale and has not implemented procedures to ensure that all eligible patients are given the sliding fee discount.
<b>Effect:</b>	This condition could result in improper application of sliding fee scale and improper program income.
<b>Recommendation:</b>	Train staff to apply the scale uniformly to all patients, and to post signs in the check in area.

**2014-02 – Failure to Provide Required Primary Health Services**

<b>Criteria:</b>	The activities allowed or unallowed compliance requirement of the HRSA grant states that the Clinic provide all required services which include basic health services related to family medicine, internal medicine, and pediatrics. The Clinic is also required to provide preventive health services which include prenatal and perinatal services, appropriate cancer screening, well-child services, and immunizations.
<b>Condition:</b>	The Clinic did not provide pediatric care, diagnostic laboratory/radiology, immunizations, well child services, obstetrical care, or preventive dental as required.
<b>Cause:</b>	The Clinic did not formalize memoranda of agreements (MOAs) and did not have credentialed providers for the services not offered.



**Common Ground Health Clinic, Inc.**  
**Schedule of Current Year Findings and Questioned Costs**

<b>Effect:</b>	As required activities, not providing these services results in the Clinic not complying with the grant.
<b>Recommendation:</b>	Develop a plan to ensure all required activities are performed at the Clinic or that MOAs are in place for those activities not able to be provided by the Clinic.

**2014-03 – Governance Procedures**

<b>Criteria:</b>	The special tests and provisions compliance requirement of the HRSA grant requires that the board should meet at least once a month, select the services to be provided by the center, schedule the hours during which the services will be provided, approve the annual budget, and establish general policies.
<b>Condition:</b>	The Clinic could not provide minutes for each monthly board meeting as required. There was no documentation of approval of the annual budget, selection of the proper services to be provided by the Clinic and general policies.
<b>Cause:</b>	Documentation and retention of board meeting minutes is not adequately maintained.
<b>Effect:</b>	The Clinic is not in compliance with the grant requirement.
<b>Recommendation:</b>	Monthly board meeting minutes should be kept and approved by the board each month. The board should ensure that all required approvals are documented in the meeting minutes.



**Common Ground Health Clinic, Inc.**  
**Schedule of Current Year Findings and Questioned Costs**

**2014-04 – Lack of Internal Controls In Monitoring of Federal Disbursements**

<b>Criteria:</b>	The HRSA grant requires the Clinic to maintain a system of internal controls over compliance with grant agreements.
<b>Condition:</b>	The Clinic did not have adequate policies, procedures, and related internal controls in regards to cash disbursements and payroll as required by their grant. The board has engaged a third party CPA to, among other things, review internal controls and implement recommendations to strengthen internal controls over the procurement process and payroll process. Additionally a full time CFO was hired in December 2014 to oversee the grant expenditure process. In October 2014, controls were implemented over all cash disbursements.
<b>Cause:</b>	The Clinic did not have appropriate policies and procedures in place for proper recording and monitoring of grant expenditures.
<b>Effect:</b>	Federal dollars are not properly tracked and could be used for unallowable costs.
<b>Recommendation:</b>	The Clinic should implement the policies, procedures, and controls that were drafted in 2014.

**Common Ground Health Clinic, Inc.**

**Views of Responsible Officials and Planned Corrective Actions**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-01	Management has obtained board approval to implement the internal control policies and procedures that were drafted in 2014, and has implemented the policies and procedures effective January 31, 2015.	Completed	CFO
2013-02	Management has obtained board approval to implement the internal control policies and procedures that were drafted in 2014, and has implemented the policies and procedures effective January 31, 2015.	Completed	CFO
2014-01	All signage is posted and the sliding scale fee scale has been updated to meet 2015 requirements as well as submitted and approved by HRSA.	Completed	CEO
2014-02	Management has obtained referral MOUs for the majority of required services not provided by the Clinic and expects to have the remaining MOUs effective by July 31, 2015.	July 31, 2015	CEO
2014-03	The Board has approved all required policies and will ensure that all meeting minutes are documented and maintained. Documented proof of the policy approvals has been submitted to HRSA and is pending their approval.	Completed	CEO and Board of Directors
2014-04	Management has obtained board approval to implement the internal control policies and procedures that were drafted in 2014, and has implemented the policies and procedures effective January 31, 2015.	Completed	CFO



**Common Ground Health Clinic, Inc.**  
**Schedule of Prior Year Findings and Questioned Costs**

**FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

2013-01 – Material weakness in financial close and reporting process

**Finding:** In an effort to reduce operating expenses in 2013, the third party CPA which oversaw the monthly financial close and reporting process was changed to a less expensive contractor. Subsequent to this change, there was additional turnover in this role throughout the remainder of 2013 and through May 2014. As a result, internal controls over the monthly financial close and reporting process were not in effect during the last two quarters of 2013.

**Response:** The Clinic not only experienced turnover in the accounting function but also in the executive director position in 2014. The board of directors quickly identified an interim executive director as well as hired a reputable third party CPA to, among other things, review internal controls and implement recommendations to strengthen internal controls over the financial close and reporting process

**Status:** Not resolved. See current year finding 2013-01

2013-02 – Material weakness related to misappropriation of assets.

**Finding:** Management identified misappropriation of assets committed by an employee of the clinic relating to personal expenses charged to the Clinic as operating expenses. The results of a subsequent forensic review by a third party, indicated the total asset misappropriation was approximately \$4,900. Controls over the expenditure process were not operating effectively during the period sufficient to prevent/detect improper expenses on a timely basis.

**Response:** Upon identification of the original asset misappropriation, the Board engaged a third party CPA to perform a forensic review of the books and records which further indicated that there were carious expenses that were improperly paid/expensed that were of a personal nature. The board has engaged a third party CPA to, amount other things, review internal controls and implement recommendations to strengthen internal controls over the procurement process and payroll process.

**Status:** Not resolved. See current year finding 2013-02

2013-03 – Timely filing of audit report

**Finding:** Pursuant to Louisiana state law, the Clinic is required to submit its annual audit to the Louisiana Legislative Auditor's office no later than six months after its year-end. The Clinic was unable to meet the June 30, 2014 deadline given the unanticipated continued turnover in the accounting function coupled with the additional delays related to the internal examination performed related to the misappropriation of assets.

**Status:** Resolved. Clinic filed current year report by the June 30, 2015 deadline.