

**Innis Community Health Center, Inc.****Annual Financial Statements****Year ended October 31, 2010**

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

Release Date

6/8/11

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**W. Kathleen Beard, CPA, LLC**  
**10191 Bueche Rd.**  
**Bueche, LA 70729**

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Member:  
American Institute of CPA's  
Louisiana Society of CPA's

Email: kbeardcpa@yahoo.com  
Telephone: (225) 627-4537  
FAX (225) 627-4584

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Innis Community Health Center, Inc.

I have audited the accompanying statement of financial position of Innis Community Health Center, Inc. (a nonprofit organization) as of October 31, 2010, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of Innis Community Health Center's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from Innis Community Health Center, Inc.'s 2009 financial statement and, in my report dated April 21, 2010, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 16, 2011 on my consideration of Innis Community Health Center's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Innis Community Health Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and to other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Additionally, the schedule of functional expenses on page 14, 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 to other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*W. Kathleen Beard, CPA*

May 16, 2011

## **Basic Financial Statements**

**Innis Community Health Center, Inc.**  
**Statements of Financial Position**  
**October 31, 2010 with comparative totals for 2009**

	<u>2010</u>	<u>2009</u>
<b>Assets:</b>		
Current Assets:		
Cash and cash equivalents -		
Unrestricted	\$127,315	\$229,680
Restricted	-	30,000
Patient accounts receivable (net)	327,731	439,862
Grant funds receivable	89,153	37,403
Other receivables	-	6,287
Prepaid expenses	28,678	20,093
	<hr/>	<hr/>
Total Current Assets	572,877	763,325
Non-current Assets:		
Investments	60,000	60,000
Property and equipment (net of accumulated depreciation)	670,565	482,704
	<hr/>	<hr/>
Total Non-current Assets	730,565	542,704
	<hr/>	<hr/>
Total Assets	<u>\$ 1,303,442</u>	<u>\$ 1,306,030</u>
<b>Liabilities and Net Assets:</b>		
Current Liabilities:		
Accounts Payable	\$32,221	\$27,443
Payroll liabilities	1,596	2,868
Accrued salaries	72,308	69,466
Compensated absences payable	45,333	33,034
Due to Pointe Coupee General Hospital	7,400	10,400
	<hr/>	<hr/>
Total Current Liabilities	158,858	143,211
	<hr/>	<hr/>
Total Liabilities	158,858	143,211
Net Assets:		
Unrestricted	1,144,584	1,132,818
Temporarily restricted	0	30,000
	<hr/>	<hr/>
Total Net Assets	1,144,584	1,162,818
	<hr/>	<hr/>
Total Liabilities & Net Assets	<u>\$1,303,442</u>	<u>\$1,306,030</u>

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

**Innis Community Health Center, Inc.**  
**Statement of Activities**  
**For the year ended October 31, 2010 with comparative totals for year ended 2009**

	2010	2009
<b>Changes in Unrestricted Net Assets</b>		
<b>Revenues, Gains and Other Support</b>		
Net patient service revenue	\$ 1,172,574	\$ 1,588,329
Community care case management fees	28,314	29,187
Patient settlement revenue	15,531	20,031
Wellcare revenue	765	7,928
Other revenue	1,583	7,838
Federal financial assistance	1,524,587	1,204,498
State Grant - DHH - School Based Health Center	127,969	151,679
State Grant - LPCA	147,376	0
Other grants and contributions	56,827	38,476
Rental income - Gym	3,600	3,000
Investment income	3,153	7,233
Total revenues, gains and other support	3,082,279	3,058,200
Net assets released from restrictions	30,000	-
Total unrestricted revenues, gains and support	3,112,279	3,058,200
<b>Expenses</b>		
Program services -		
Medical	1,605,457	1,505,818
Dental	400,532	371,501
Supporting services -		
Management & general	999,820	912,682
Total expenses	3,005,809	2,790,001
Loss from uncollectible accounts receivable	94,704	486,483
Total expenses and losses	3,100,513	3,276,484
Increase (decrease) in unrestricted net assets	11,766	(218,284)
<b>Changes in Temporarily Restricted Net Assets</b>		
Net assets released from restrictions - Wurtele Foundation	(30,000)	-
Increase (decrease) in temporarily restricted net assets	(30,000)	-
<b>Increase (Decrease) in Net Assets</b>	(18,234)	(218,284)
<b>Net Assets, Beginning of Year</b>	1,162,818	1,381,103
<b>Net Assets, End of Year</b>	\$1,144,584	\$1,162,818

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

**Innis Community Health Center, Inc.**  
**Statement of Cash Flow**  
**For the year ended October 31, 2010 with comparative totals for year ended 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Cash received from patients and third party payors	\$1,247,890	\$1,228,755
Cash received from grants and contributions	1,803,201	1,389,153
Cash received from earnings on short term investments	3,153	7,233
Cash payments to employees	(1,917,956)	(1,699,578)
Cash payments to suppliers	(970,362)	(1,005,763)
Cash provided by (used by) operating activities	165,925	(80,200)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(297,969)	(70,018)
Adjustment of prior depreciation	(321)	-
Purchase of long-term Certificates of Deposit	60,000	60,000
Redemption of long-term Certificates of Deposit	(60,000)	(60,000)
Cash (used for) investing activities	(298,290)	(70,018)
<b>Cash flows from financing activities:</b>		
Principal payments on note payable	0	0
Cash (used by) financing activities	0	0
Net Increase (Decrease) in Cash	(132,365)	(150,219)
Cash and cash equivalents, Beginning of Year	259,680	409,899
<b>Cash and cash equivalents, End of Year</b>	<b>\$127,315</b>	<b>\$259,680</b>

**Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities:**

Change in Net Assets	\$ (18,234)	\$ (218,284)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	110,429	86,676
(Increase) Decrease in:		
Accounts receivables (net of allowance account)	112,131	59,599
Grant funds receivable	(51,750)	(2,501)
Other receivables	6,287	(3,074)
Prepaid expenses	(8,585)	(2,792)
Increase (Decrease) in:		
Accounts payable	4,778	(16,544)
Payroll liabilities	(1,272)	(879)
Accrued salaries	2,842	9,980
Compensated absences payable	12,299	219
Due to Pointe Coupee General	(3,000)	7,400
	\$ 165,924	\$ (80,200)

The accompanying notes are an integral part of these financial statements



Innis Community Health Center, Inc.  
Notes to Financial Statements  
October 31, 2010

## INTRODUCTION

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

The mission of Innis Health Center is to provide primary healthcare services to area communities in need of preventive and affordable health care in a prudent and efficient manner, with a caring attitude, regardless of ability to pay. The vision of the Center is, through community collaboration and partnership, to develop and promote supportive healthcare services to all people who are medically underserved, in order that they may experience *all the rights, privileges and responsibilities* as members of this community.

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting** - The financial statements of Innis Health Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of presentation** – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Center is required to report 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.

**Comparative financial information** - The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information *does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles*. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended October 31, 2009 from which the summarized information was derived.

**Cash and cash equivalents** - For purposes of the Statements of Cash Flows, the Innis Health Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Innis Community Health Center, Inc.  
Notes to Financial Statements  
October 31, 2010

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**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 at the rate of 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 200 hours at the end of the fiscal year, may be carried forward. Any unused PTO in excess of 200 hours will be forfeited if not used by January 31, of the subsequent year for all employees except for the Executive Director.

**Concentration of Contributions or Grants** – Approximately 49% of the Center's funding is provided from grants from the U. S. Department of Health and Human Services.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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

**Income tax status** - Innis Health Center is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Center's exempt purpose is subject to taxation as unrelated business income.

**Sliding Scale Adjustments** – Innis Health Center provides medical services to patients who qualify under federal guidelines and other corporate policies of the organization at fees less than established rates. These adjustments are deducted from the amount of fees for services presented in the statement of activities.

Innis Community Health Center, Inc.  
Notes to Financial Statements  
October 31, 2010

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and equipment** - All acquisitions of property and equipment in excess of \$500 and all expenditures that materially increase values, change capabilities, or extend useful lives of assets are capitalized. Routine maintenance, repairs and minor equipment replacement costs are charged against operations.

Property and equipment are carried at cost. Donated property and equipment are carried at approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Useful lives, generally 3 to 10 years, are assigned as recommended in the American Hospital Association publication *Estimated Useful Lives of Depreciable Hospital Assets*, revised 1998 edition.

**Other revenue** - Other revenue is derived from services other than providing health care services to patients. These primarily include Medicaid community care fees, fees for providing medical records, and Medicaid and Medicare adjustments.

**B. NET PATIENT RECEIVABLES**

Innis Community Health Center extends credit to patients as well as to third-party intermediaries responsible for medical services provided to patients. In many cases, the amount collected is less than the amount billed. Accordingly, the receivable balance has been reduced to the amount considered collectible by Innis Community Health Center's management, which is approximately 73% and 66%, respectively.

Receivables for patient services are reported net of allowances for doubtful accounts. At October 31, 2010 and 2009 the balances of accounts receivable and the allowance accounts were as follows:

	2010	2009
Patient receivables	\$ 450,437	\$ 663,856
Allowance for uncollectible accounts	(122,706)	(223,993)
Net Patient receivables	\$ 327,731	\$ 439,862

Innis Community Health Center, Inc.  
Notes to Financial Statements  
October 31, 2010

**C. NET PATIENT SERVICE REVENUE**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered.

Net patient service revenue consisted of the following components during the years ended October 31, 2010 and October 31, 2009:

	<u>2010</u>	<u>2009</u>
Gross patient revenues	\$ 2,166,566	\$ 2,780,319
Less: Contractual adjustments	(514,275)	(757,402)
Less: Sliding scale adjustments	<u>(479,717)</u>	<u>(434,588)</u>
Net patient revenue	<u>\$ 1,172,574</u>	<u>\$ 1,588,329</u>

**D. INVESTMENTS**

At October 31, 2010, the Center held investments in a Certificates of Deposit in the amount of \$60,000. The Certificate of Deposit has an interest rate of 2.01% and a term of six months, with penalties for early withdrawal. The investment is carried at cost, which approximates market.

**E. CONCENTRATIONS OF CREDIT RISK**

The Center maintains its cash balances at several banks located in the parish. Accounts at each institution are insured by Federal Deposit Insurance Corporation up to \$250,000. At October 31, 2010, the Center's cash balances were fully insured.

**F. NON-COMPLIANCE WITH GRANTOR OR DONOR RESTRICTIONS**

Financial awards from federal, state and local governmental entities in the form of grants are subject to special audit. Such audits could result against the Clinic for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Innis Community Health Center, Inc.  
Notes to Financial Statements  
October 31, 2010

**G. PROPERTY AND EQUIPMENT**

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

	11/1/2009	Additions	Retirements	10/31/2010
<b>Innis Clinic:</b>				
Office equipment	\$ 39,923	\$ 2,308		\$ 42,230
Furniture and fixtures	-	12,188		12,188
Medical equipment	33,019			33,019
Dental equipment	37,996	36,882		74,878
Dental equipment - Mobile van	7,831			7,831
Vehicles	18,603			18,603
Mobile dental van	181,740			181,740
Office Building	40,302			40,302
Dental Building	-	234,938		234,938
Helipad	32,027			32,027
Leasehold improvement	107,304	1,522		108,826
Total Innis	498,743	287,837	-	786,580
<b>Livonia Clinic:</b>				
Office equipment	20,992	1,640		22,633
Medical equipment	48,761			48,761
Office Building	50,525			50,525
Leasehold improvements	71,937	1,385		73,322
Construction in progress	-	7,107		7,107
Total Livonia	192,216	10,132	-	202,348
<b>School Based Health Clinic:</b>				
Office equipment	16,878			16,878
Medical equipment	26,626			26,626
	43,504	-	-	43,504
Electronic Medical Records Equipment	27,251			27,251
Total Assets	761,713	297,969	-	1,059,682
Less: Accum depreciation	(279,009)	(110,429)	321	(389,117)
	<u>\$ 482,704</u>			<u>\$ 670,565</u>

Innis Community Health Center, Inc.  
Notes to Financial Statements  
October 31, 2010

**H. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following specific program services:

Purpose Restrictions:	
Purchase of a van	\$30,000
	=====

Temporarily restricted net assets were utilized during the current year for the purpose of acquiring transportation services and use of dental equipment from Pointe Coupee Better Access, Inc. (BACH). The services will be performed for a five year period.

**I. STATE GRANTS**

The Innis Community Health Center entered into a cost reimbursement contract with the Louisiana Department of Health and Hospitals, Office of Public Health, Adolescent School Health Program to provide comprehensive primary care and preventive services to students at Pointe Coupee Central High School for the period of July 1, 2009 through June 30, 2010. The maximum amount awarded under this contract is \$140,000. A receivable of \$ 46,712 was reported in the financial statements which represents qualifying costs incurred by the Center during the months of September and October 2009.

Act 203 of the 2007 Regular Session of the Louisiana Legislature appropriated funding for the support of the statewide planning, acquisition and construction of community primary health care clinics. Innis Community Health Center received funding through the Louisiana Primary Care Association - Louisiana Facility Expansion Initiative for the expansion project for the Center at the Innis and Livonia campuses. Total state funding for the project is projected to be \$173,629.

**J. POINTE COUPEE GENERAL HOSPITAL**

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

Innis Community Health Center, Inc.  
Notes to Financial Statements  
October 31, 2010

**K. OPERATING LEASES**

Operating Leases - Innis Health Center leases equipment and facilities under operating leases. Total rental expense in 2010 was \$28,417.

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

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

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

Future minimum lease payments for leases that have lease terms of over one year as of October 31, 2010 are as follows:

<u>Fiscal Year</u>		<u>Office Equipment</u>
2010-2011	\$	6,337
2011-2012		6,337
2012-2013		3,420
2013-2014		1,230
	\$	<u>25,185</u>

Innis Community Health Center, Inc.  
Notes to Financial Statements  
October 31, 2010

**L. TAX DEFERRED ANNUITY PLAN**

Innis Health Center participates in a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may participate in the employer contribution plan when hired. This is a plan whereby employees make their own, before 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 if they wish. There is no match by the Innis Community Health Center in the Section 403(b) tax deferred annuity plan. Employees may take their contributions to the 403(b) tax deferred annuity plan upon resignation, termination, etc.

Innis Health 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 Clinic. Employees are vested after 3 years of employment, and may take the employer's contributions to their plan upon resignation, termination, etc. The clinic 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 Clinic. The Clinic's contribution for 2010, 2009, 2008 and 2007 was \$35,837, \$39,463, \$19,714 and \$13,917, respectively.

**M. AFFILIATED ORGANIZATION**

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

**N. SUBSEQUENT EVENTS**

Subsequent events were evaluated through May 16, 2011, which is the date the financial statements were available to be issued. It was determined that there are no significant events requiring recognition or disclosure through this date.



**Supplementary Information**

**Innis Community Health Center, Inc.**  
**Schedule of Functional Expense**  
**For the year ended October 31, 2010 with comparative totals for year ended 2009**

	<b>Program Services</b>		<b>Supporting Services</b>	<b>2010 Total</b>	<b>2009 Total</b>
	<b>Medical</b>	<b>Dental</b>	<b>Management &amp; General</b>		
Employee compensation and benefits	\$ 1,308,013	\$ 248,337	\$ 651,322	\$ 2,207,672	\$ 1,976,307
Occupancy and other rents	41,044	23,935	63,078	128,057	137,871
Billing and information systems	-	-	95,741	95,741	60,270
Purchased services	97,755	9,291	38,146	145,192	190,741
Supplies	109,730	61,496	30,183	201,409	209,598
Depreciation	31,229	52,166	27,035	110,429	86,676
Insurance	10,451	5,307	5,217	20,975	20,024
Travel, education and training	7,234	-	27,701	34,936	42,236
License and fees	-	-	13,564	13,564	11,534
Dues and subscriptions	-	-	16,511	16,511	19,101
Meetings expense	-	-	18,629	18,629	23,339
Medical records	-	-	10,843	10,843	11,564
Interest expense	-	-	-	-	75
Other	-	-	1,852	1,852	665
<b>Total expenses</b>	<b>\$ 1,605,457</b>	<b>\$ 400,532</b>	<b>\$ 999,820</b>	<b>\$ 3,005,809</b>	<b>\$ 2,790,001</b>

**Information Required by Government Auditing Standards**

**W. Kathleen Beard, CPA, LLC**  
**10191 Bueche Rd.**  
**Bueche, LA 70729**

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Member:  
American Institute of CPA's  
Louisiana Society of CPA's

Email: kbeardcpa@yahoo.com  
Telephone: (225) 627-4537  
FAX (225) 627-4584

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  
Innis Community Health Center, Inc.

I have audited the financial statements of Innis Community Health Center, Inc. (a nonprofit organization) as of and for the year ended October 31, 2010, and have issued my report thereon dated May 16, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting –

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, in described in the accompanying schedule of findings and questioned costs I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of

deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and questioned costs as Findings 2010-1 and 2 to be a material weaknesses.

Compliance and Other Matters –

As part of obtaining reasonable assurance about whether Innis Community Health Center, Inc.'s financial statements are free of material misstatement, I 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, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that are required to be reported under *Government Auditing Standards* and which is reported as Finding 2010-1.

Innis Community Health Center, Inc.'s response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Innis Community Health Center, Inc.'s response and accordingly I express no opinion on it.

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

*W. Kathleen Beard, CPA*  
May 16, 2011

**Information Required By OMB Circular A-133**

**W. Kathleen Beard, CPA, LLC**  
**10191 Bueche Rd.**  
**Bueche, LA 70729**

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Member:  
American Institute of CPA's  
Louisiana Society of CPA's

Email: kbeardcpa@yahoo.com  
Telephone: (225) 627-4537  
FAX (225) 627-4584

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

I have audited Innis Community Health Center, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended October 31, 2010. Innis Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Innis Community Health Center's management. My responsibility is to express an opinion on Innis Community Health Center's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Innis Community Health Center, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Innis Community Health Center, Inc.'s compliance with those requirements.

In my opinion, Innis Community Health Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended October 31, 2010. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2010-3 and 2010-4.

### Internal Control over Compliance

Management of Innis Community Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Innis Community Health Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Innis Community Health Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses are listed as Findings 2010-3, and 2010-4.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

Innis Community Health Center Inc.'s response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Innis Community Health Center, Inc.'s response and, accordingly, I express no opinion on it.

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

*W. Kathleen Beard, CPA*  
May 16, 2011



**Innis Community Health Center, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the years ended October 31, 2010**

Federal Grantor	Federal CFDA Number	Federal Expenditures 2010
U. S. Department of Health and Human Services		
Health Center Cluster	93.224	\$ 993,023
American Recovery and Reinvestment Act -		
ARRA - Increased Services to Health Centers	93.703	118,615
ARRA - Capital Improvement Program	93.703	179,874
Rural Health Care Services Outreach Grant Program	93.912	233,075
		<u>\$ 1,524,587</u>

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Innis Community Health Center, Inc.. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basis financial statements.

Reconciliation with basic financial statements:

Grant Budget Period	Award Date	Award Number	Grant Award	Drawdowns 2010
Mar. 1, 2009 - Feb. 28, 2010	2/18/2009	5H80CS00855-07-00	\$ 537,608	
Mar. 1, 2009 - Feb. 28, 2010	5/27/2009	5H80CS00855-07-01	28,252	
Mar. 1, 2009 - Feb. 28, 2010	6/4/2009	5H80CS00855-07-02	537,607	
			<u>\$ 1,103,467</u>	229,084
Mar. 1, 2010 - Feb. 28, 2011	2/4/2010	2H80CS00855-08-00	<u>\$ 1,103,467</u>	721,498
Mar. 27, 2009 - Mar. 26, 2011	3/27/2009	H8BCS11941-01-00	<u>\$ 170,451</u>	118,615
June 29, 2009 - June 28, 2011	6/25/2009	C81CS13785-01-00	<u>\$ 440,225</u>	179,874
Sept. 1, 2009 - April 30, 2010	8/28/2009	1 D04RH16498-01-00	<u>\$ 149,882</u>	149,882
May 1, 2010 - April 30, 2011	3/12/2010	5 D04RH16498-02-00	<u>\$ 124,790</u>	83,193
		Total Drawdowns		1,482,146
Accrued grant revenue		2H80CS00855-08-00		42,441
		Grant revenue recognized		<u>\$ 1,524,587</u>

**Innis Community Health Center, Inc.**  
**Summary Schedule of Findings and Questioned Costs**  
**For the Year Ended October 31, 2010**

I have audited the basic financial statements of Innis Community Health Center, Inc., as of and for the year ended October 31, 2010, and have issued my report thereon dated May 16, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of OMB Circular A-133. My audit of the financial statements as of October 31, 2010 resulted in an unqualified opinion.

**Section I – Summary of Auditor’s Reports**

**Report on Internal Control and Compliance Material to the Financial Statements**

Internal Control

Material Weaknesses  Yes  No

Other Conditions  Yes  No

Compliance

Compliance Material to the Financial Statements  Yes  No

**Federal Awards**

Internal Control

Material Weaknesses  Yes  No

Significant Deficiencies  Yes  No

Type of Opinion on Compliance For Major Programs

Unqualified

Qualified

Disclaimer

Adverse

The programs tested as major programs included:

U. S. Department of Health and Human Services –

ARRA – Grants to Health Center Programs CFDA #93.703

Rural Health Care Services Outreach Program Grant CFDA# 93.912

The threshold for distinguishing Type A and B programs was \$300,000.

Innis Community Health Center, Inc. was determined to be a low-risk auditee.

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?  Yes  No

Was a management letter issued?  Yes  No

**Innis Community Health Center, Inc.**  
**Summary Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended October 31, 2010**

**Section II – Financial Statement Findings – Material Weakness in Internal Control**

**Finding 2010-1:**

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

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

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

CAUSE OF CONDITION: Oversight, the CFO position was in a period of transition.

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

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

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

**Finding 2010-2:**

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

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

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

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

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

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

**Innis Community Health Center, Inc.**  
**Summary Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended October 31, 2010**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2010-3:**

**CFDA No.: 93.703 Program Title: ARRA Capital Improvements Program**

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

**CRITERIA:** Required by Davis Bacon Act and American Recovery and Reinvestment Act Sec. 1606.

All laborers and mechanics employed by contractors and subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a-276a-7))

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

**EFFECT:** Possible noncompliance with federal compliance requirement.

**QUESTIONED COSTS:** Unknown – unable to determine labor costs

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

**PERSPECTIVE:** Isolated instance, first federally funded construction project

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

**MANAGEMENT'S RESPONSE AND CORRECTION PLAN OF ACTION:** The organization had language within its bid advertisement regarding prevailing wage. In researching the issue of paying prevailing wage among the 4 contractors it was reported that payment to employees has been above the prevailing wage due to the fact of hiring trade employees in a rural area is challenging and therefore wages paid at a higher rate often assists the organization to recruit individuals to work the trade skills. Wage determination on the part of 1 subcontractor was supplied recently using the form WH-347 indicating the wages from that period.

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

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

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

**Innis Community Health Center, Inc.**  
**Summary Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended October 31, 2010**

**Section III – Federal Award Findings and Questioned Costs (Continued)**

**Finding: 2010-4:**

**CFDA No.: 93.703 Program Title: ARRA Capital Improvements Program**

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

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

**EFFECT:** Possible non-compliance with federal regulations.

**QUESTIONED COST:** N/A

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

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

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

**MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:** Documentation of the contractors was performed after the project. The record of no disbarment or suspension is now included in the file. There were no issues with disbarment or suspension for any of the contractors and research was completed indicating no history ever in these contractors organizations with disbarment or suspension.

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

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

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

**Innis Community Health Center, Inc.  
Summary Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended October 31, 2010**

**Section IV – Management Letter**

**No management letter issued.**

**Innis Community Health Center, Inc.**  
**Schedule of Prior Year Findings and Questioned Costs**  
**For the Year Ended October 31, 2010**

**Section II – Financial Statement Findings**

No findings

**Section III – Federal Award Findings and Questioned Costs**

No Findings

**Section IV – Management Letter**

No management letter issued