

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

**Financial and Compliance Report  
June 30, 2012 and 2011**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors

Southwest Louisiana Primary Health Care Center, Inc.

Opelousas, Louisiana

I have audited the accompanying statement of financial position of Southwest Louisiana Primary Health Care Center, Inc., (a non-profit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Southwest Louisiana Primary Health Care Center, Inc.'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 the organization's June 30, 2011 financial statements, and in my report dated October 14, 2011, 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 in the first paragraph present fairly, in all material respects, the financial position of Southwest Louisiana Primary Health Care Center, Inc. as of June 30, 2012, and the changes in its net assets, its functional expenses 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 October 17, 2012, on my consideration of Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

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

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
October 17, 2012

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

**Opelousas, Louisiana**

**Statements of Financial Position**

**As of June 30, 2012**

**With Summarized Comparative Totals as of June 30, 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 556,359	\$ 358,647
Patient accounts receivable, net	107,705	268,476
Inventory	52,787	68,582
Certificate of deposit	52,289	51,989
Prepaid expenses	1,167	3,194
Grant receivable	191,273	60,000
Other receivables	9,059	59,000
Deposits	405	405
Total Current Assets	<u>971,044</u>	<u>870,293</u>
<b>Property, Plant and Equipment</b>		
Furniture and equipment	620,409	591,800
Building and improvements	408,220	383,766
	<u>1,028,629</u>	<u>975,566</u>
Less accumulated depreciation	<u>(690,029)</u>	<u>(632,163)</u>
	338,600	343,403
Land	100,000	100,000
Construction in progress	937,926	433,232
Net Property, Plant and Equipment	<u>1,376,526</u>	<u>876,635</u>
<b>Other Assets</b>		
Investments - LA Partnership for Choice and Access, LLC	<u>100,000</u>	<u>100,000</u>
Total Assets	<u>\$ 2,447,570</u>	<u>\$ 1,846,928</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 182,010	\$ 278,496
Accrued payroll and related liabilities	69,731	62,952
Line of credit	-	52,000
Loan payable to LPCA	-	143,646
Current portion of leases payable	2,818	2,465
Current portion of notes payable	86,236	-
Total Current liabilities	<u>340,795</u>	<u>539,559</u>
<b>Long Term Liabilities</b>		
Leases payable - net of current portion	7,907	10,725
Notes payable - net of current portion	347,044	-
Total Long Term Liabilities	<u>354,951</u>	<u>10,725</u>
Total Liabilities	<u>695,746</u>	<u>550,284</u>
<b>Net Assets</b>		
Unrestricted net assets	<u>1,751,824</u>	<u>1,296,644</u>
Total Liabilities and Net Assets	<u>\$ 2,447,570</u>	<u>\$ 1,846,928</u>

See accompanying notes to the financial statements

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Statements of Activities**  
**For the Year Ended June 30, 2012**  
**With Summarized Comparative Totals for the Year Ended June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Revenue and Support</b>		
Revenue:		
Net patient service revenue	\$ 920,018	\$ 1,054,139
Support:		
Grant awards	2,039,227	1,474,486
Interest	709	687
Other income	3,627	8,403
Total Support	<u>2,043,563</u>	<u>1,483,576</u>
Total Revenue and Support	<u>2,963,581</u>	<u>2,537,715</u>
<b>Expenses</b>		
Program Services:		
Medical	1,058,941	1,141,006
Dental	543,913	499,841
Social services	80,527	84,573
Total Program Services	<u>1,683,381</u>	<u>1,725,420</u>
Support Services:		
General and administrative	825,020	739,687
Total Expenses	<u>2,508,401</u>	<u>2,465,107</u>
Change in Net Assets before extraordinary item	455,180	72,608
Extraordinary gain from fire damages, net of insurance proceeds	<u>-</u>	<u>37,154</u>
Unrestricted Net Assets - Beginning of Year	<u>1,296,644</u>	<u>1,186,882</u>
Unrestricted Net Assets - End of Year	<u>\$ 1,751,824</u>	<u>\$ 1,296,644</u>

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2012**  
**With Summarized Comparative Totals for the Year Ended June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 455,180	\$ 109,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,865	58,652
Extraordinary gain from fire damages, net of insurance proceeds	-	(37,154)
Forgiveness of loan payable to LPCA	(143,646)	-
Changes in operating assets and liabilities:		
Change in allowance for doubtful accounts	5,340	(81,265)
(Increase) decrease in accounts receivable	155,431	221,664
(Increase) decrease in other receivable	(81,332)	60,895
(Increase) decrease in inventory	15,795	6,998
(Increase) decrease in prepaid expenses	2,027	2,182
(Increase) decrease in deposits	-	4,540
Increase (decrease) in accounts payable	(96,486)	202,120
Increase (decrease) in accrued liabilities	6,242	(3,766)
Net Cash Provided (Used) by Operating Activities	<u>376,416</u>	<u>544,628</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of certificate of deposit	(300)	(442)
Payments on construction in progress	(504,694)	(401,779)
Fixed asset acquisitions	(53,063)	(58,261)
Net Cash Provided (Used) by Investing Activities	<u>(558,057)</u>	<u>(460,482)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds on short-term debt	35,717	195,646
Principal payments on short-term debt	(52,000)	-
Proceeds on long-term debt	460,000	-
Principal payments on long-term debt	(61,899)	-
Principal payments on capital leases	(2,465)	(4,361)
Net Cash Provided (Used) by Financing Activities	<u>379,353</u>	<u>191,285</u>
Net Increase in Cash and Cash Equivalents	197,712	275,431
Cash and Cash Equivalents - Beginning of Year	<u>358,647</u>	<u>83,216</u>
Cash and Cash Equivalents - End of Year	<u>\$ 556,359</u>	<u>\$ 358,647</u>
<b>Supplemental Disclosure:</b>		
Interest paid	<u>\$ 18,077</u>	<u>\$ 5,813</u>

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Statements of Functional Expenses**  
**For the Year Ended June 30, 2012**  
**With Summarized Comparative Totals for the Year Ended June 30, 2011**

	Program Services				Supporting Services	Total	
	Medical Services	Dental Services	Social Services	Total	General and Administrative	2012	2011
Salaries	\$ 354,495	\$ 411,800	\$ 72,555	\$ 838,850	\$ 404,825	\$ 1,243,675	\$ 1,238,410
Fringe benefits	3,022	1,901	1,529	6,452	22,639	29,091	22,438
Payroll taxes	29,395	29,875	5,385	64,655	28,985	93,640	96,592
Consultants and contractual services	565,793	5,252	198	571,243	40,274	611,517	580,659
Supplies	47,472	45,190	129	92,791	16,248	109,039	84,954
Dues and subscriptions	125	-	-	125	14,153	14,278	11,277
Maintenance and repairs	11,489	4,277	-	15,766	60,407	76,173	62,877
Telephone	8,278	5,332	-	13,610	13,421	27,031	24,715
Postage	-	-	-	-	1,856	1,856	2,002
Insurance	5,177	1,418	306	6,901	21,586	28,487	28,498
Travel and seminars	1,245	538	425	2,208	8,280	10,488	26,823
Utilities	1,638	8,457	-	10,095	13,865	23,960	25,106
Interest and bank charges	17,568	255	-	17,823	17,269	35,092	12,984
Legal and professional	32,620	850	-	33,470	79,577	113,047	64,465
Miscellaneous	2,944	28	-	2,972	14,610	17,582	17,268
Advertising and promotion	2,820	120	-	2,940	13,168	16,108	17,973
Total expenses before depreciation, bad debts and loss on disposal of equipment	1,084,081	515,293	80,527	1,679,901	771,163	2,451,064	2,317,041
Depreciation and amortization	4,008	-	-	4,008	53,857	57,865	58,652
Bad debt expense (recovery)	(29,148)	28,620	-	(528)	-	(528)	89,414
Total expenses	\$ 1,058,941	\$ 543,913	\$ 80,527	\$ 1,683,381	\$ 825,020	\$ 2,508,401	\$ 2,465,107



**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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

**Nature of Activities**

Southwest Louisiana Primary Health Care Center, Inc. (a non-profit, non-stock corporation) was incorporated in the State of Louisiana on May 27, 1992 to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged. The Organization is a federally qualified health center (FQHC) and is principally funded under a grant from the Office of Public Health Services, a component of the U.S. Department of Health and Human Services (DHHS).

**Income Taxes**

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

**Method of Accounting**

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

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

**Property and Equipment**

Property and equipment is stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$500. Repairs and maintenance are charged to operations when incurred. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10 - 40
Equipment, furniture and fixtures	5 - 20
Vehicles	5

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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

**Functional Expenses**

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

**Accounts Receivable**

The Organization records accounts receivable at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors.

**Bad Debts**

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

**Major Funding Source**

The Organization receives funds from DHHS, under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of non-compliance by the Organization with the terms of the grants. In addition, if the Organization terminates its DHHS grant activities, all unexpended federal funds are to be returned to DHHS.

**Inventory**

Supply inventories are stated at lower of cost, determined by the FIFO method, or market.

**Net Patient Service Revenue**

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

**Advertising Expense**

The Organization expenses the cost of advertising as the expense is incurred. For the years ended June 30, 2012 and 2011, the cost totaled \$16,108 and \$17,973, respectively.

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

**Opelousas, Louisiana**

**Notes to Financial Statements**

**June 30, 2012 and 2011**

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

**Investments**

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

**Grants and Contributions**

Grants and contributions are recognized as income when received. The Board reports grants as temporarily restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned.

**NOTE 2 - PATIENT ACCOUNTS RECEIVABLE**

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

	2012	2011
Medicare	\$ 33,852	\$ 99,638
Medicaid	69,420	150,513
Private	66,172	74,724
	169,444	324,875
Less allowance for doubtful accounts	61,739	56,399
	<u>\$ 107,705</u>	<u>\$ 268,476</u>

**NOTE 3 - COST REPORT RECEIVABLE**

The Organization participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Organization participates in the Medicaid program as a federally qualified health center. Final settlements will be made upon completion of audits by program representatives.

**NOTE 4 - ACCRUED VACATION**

The Organization allows employees to carry over unused vacation hours, with written permission from the executive director. The accrual is calculated based on the employee's pay rate at the end of the year. At June 30, 2012 and 2011, accrued vacation totaled \$39,414 and \$32,772, respectively.

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**NOTE 5 - ECONOMIC DEPENDENCY**

The Organization receives a substantial portion of its total support and revenues from the federal government. During the years ended June 30, 2012 and 2011, Southwest Louisiana Primary Health Care Center, Inc. recorded \$1,539,391 and \$1,275,558, respectively, in grant support from the Department of Health and Human Services. This represents 52% and 50% of total support and revenues for the years ended June 30, 2012 and 2011, respectively.

**NOTE 6 - FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Organization's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

**NOTE 7 - CONCENTRATIONS OF CREDIT RISK**

The Organization maintains several bank accounts at various banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC), based on balances and interest rate terms. Accounts held in financial institutions occasionally are in excess of Federal Deposit Insurance Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

The majority of the Organization's patients are located in south central Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors was as follows:

	<u>2012</u>	<u>2011</u>
Medicare	31 %	37 %
Medicaid	64	56
Other	5	7
	<u>100 %</u>	<u>100 %</u>

The mix of net patient revenues was as follows:

	<u>2012</u>	<u>2011</u>
Medicare	1 %	10 %
Medicaid	69	64
Other	30	26
	<u>100 %</u>	<u>100 %</u>

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**NOTE 8 – LINE OF CREDIT**

At June 30, 2011, the Organization had a line of credit from a bank for \$100,000. Interest accrued and was payable monthly at a fluctuating rate (currently 4.5% per annum). The line was unsecured and payable on demand. The balance due on this line of credit was \$52,000 at June 30, 2011. During the fiscal year ending June 30, 2012, the line of credit was paid in full and closed.

**NOTE 9 – LOAN PAYABLE TO LPCA**

At June 30, 2011, the Organization had a promissory advance note from Louisiana Primary Care Association, Inc. (LPCA) for up to \$188,849 at a fixed interest rate of 4.25%. These funds were available to the Center as an advance against a grant that was awarded by the LPCA for various Center construction projects in progress at June 30, 2011. The loan was unsecured and the balance due on this note was \$143,646 at June 30, 2011. During fiscal year ending June 30, 2012, the Center satisfied the terms of the construction project agreement, therefore the promissory advance note was forgiven and is now considered grant proceeds from the LPCA.

**NOTE 10 – LONG-TERM NOTES PAYABLE**

Notes payable for the year ended June 30, 2012 consisted of the following:

Bank note dated March 18, 2011, in the amount of \$260,000, due in 60 equal monthly installments, including interest at a variable interest rate equal to 4.080 percentage points over the Treasury Securities Rate, collateralized by Lafayette building, equipment, and funds on deposit with bank (\$348,452).	\$ 225,189
Bank note dated March 18, 2011, in the amount of \$200,000, due in 60 equal monthly installments, including interest at a variable interest rate equal to 4.080 percentage points over the Treasury Securities Rate, collateralized by Lafayette building, equipment, and funds on deposit with bank (\$348,452).	172,374
Construction multiple advance loan dated May 2, 2012, in the amount of \$200,000, interest payable monthly until conversion to amortizing loan with 50 principal and interest payments of \$1,589 commencing on March 2, 2013, plus the final payment of the remaining balance on May 2, 2017, bearing an interest rate of 5.00%, collateralized by real estate and funds on deposit with bank (\$15,792).	35,717
Total Debt	433,280
Less current portion	(86,236)
Long-term debt	<u>\$ 347,044</u>

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**NOTE 10 – LONG-TERM NOTES PAYABLE (Continued)**

Maturities of debt are as follows:

<u>June 30,</u>	<u>Amount</u>
2013	\$ 86,236
2014	92,256
2015	97,515
2016	103,076
2017	<u>54,197</u>
Total	<u>\$ 433,280</u>

**NOTE 11 – PRIOR YEAR BALANCES**

Certain prior year amounts have been reclassified to conform to current year presentation.

**NOTE 12 – INVESTMENTS**

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

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

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

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

During the fiscal year ended June 30, 2010, the Organization invested \$100,000 in the Louisiana Partnership of Choice and Access, LLC (LLC). The LLC investors are limited to Federally Qualified Health Centers (FQHC) or FQHC look-alike organizations. The LLC investors will own 49% (directly or indirectly) of Healthy Louisiana Choice, Inc., a Louisiana corporation. The corporation will function as a Medicaid managed care organization servicing Louisiana Medicaid beneficiaries. The LLC's management projects future capital requirements which may be funded through investor capital calls and/or investor loans.



**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**NOTE 12 – INVESTMENTS (Continued)**

The amortized cost and fair value measured on a recurring basis of an investment in a limited liability company as of June 30, 2012 is as follows:

	Amortized Cost	Fair Value	Unrealized Gain
La. Partnership for Choice and Access, LLC (100 units) (Level 3 Cost Basis)	\$ 100,000	\$ 100,000	\$ -0-

The amortized cost and fair values measured on a recurring basis of an investment in a limited liability company as of June 30, 2011 is as follows:

	Amortized Cost	Fair Value	Unrealized Gain
La. Partnership for Choice and Access, LLC (100 units) (Level 3 Cost Basis)	\$ 100,000	\$ 100,000	\$ -0-

**NOTE 13 – CAPITAL LEASES**

The Organization has entered into various lease agreements for financing the acquisition of pieces of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the lower of the present value of the future minimum lease payments or the fair value of the assets. The assets are depreciated over the lesser of their lease terms or their estimated productive lives. The capitalized cost for these leases was \$15,001 and \$15,001 for June 30, 2012 and 2011, respectively.

The accumulated depreciation on this equipment under capital lease was \$4,750 and \$1,750 at June 30, 2012 and 2011, respectively. The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2012:

Year Ending June 30,	
2013	\$ 4,092
2014	4,092
2015	4,092
2016	<u>1,024</u>
Total Minimum Lease Payments	13,300
Less: Amount Representing Interest	<u>2,575</u>
Present Value of Future Minimum Lease Payments	<u>\$ 10,725</u>

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**NOTE 14 – EXTRAORDINARY GAIN FROM FIRE DAMAGES**

On February 1, 2011, the Evangeline Family Medicine clinic (Ville Platt site) was destroyed by a fire. The total loss of buildings, equipment, and inventory totaled \$93,869. The Center received \$72,023 in insurance proceeds in June 2011 and an additional \$59,000 in insurance proceeds during the fiscal year ended June 30, 2012. The Center recognized an extraordinary gain, net of insurance proceeds received and receivable, of \$37,154 for the year ended June 30, 2011.

**NOTE 15 – FAIR VALUE OF INSTRUMENTS**

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2012, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, receivables, prepaid expenses, inventory, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

**NOTE 16 – CHARITY CARE**

The Organization provides care to patients who qualify under federal guidelines and other policies of the Organization at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data. The amount of costs associated with charity care for the fiscal years ended June 30, 2012 and 2011 was \$391,363 and \$398,706, respectively.

**NOTE 17 – RETIREMENT PLAN**

The Organization sponsors a 403 (b) Plan. The Organization will contribute up to three percent on eligible wages of eligible employees. All participating employees are 50% vested after 3 years of employment and 100% vested after 5 years of employment. To be eligible, an employee must be employed with the Organization for at least 180 days and work at least 32 hours per week. The 403(b) expense for the fiscal years ended June 30, 2012 and 2011 was \$4,910 and \$3,911, respectively.



**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**NOTE 18 - CONSTRUCTION IN PROGRESS**

The Organization has various construction projects in progress at May 31, 2012. The following is a schedule of projects in which the Organization has future obligations:

	<u>Estimated Total Costs</u>	<u>Cost Incurred To Date</u>	<u>Estimated Completion Date</u>
Opelousas Clinic Building	\$ 773,053	\$ 195,053	February 2013
Lafayette Clinic Building	\$ 524,300	\$ 510,118	August 2012
Ville Platte Clinic Building	\$ 684,792	\$ 232,755	October 2012

**NOTE 19 - PRIOR-YEAR SUMMARIZED INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

**NOTE 20 - SUBSEQUENT EVENTS**

The Organization evaluated its June 30, 2012 financial statements for subsequent events through October 17, 2012, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

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

**Opelousas, Louisiana**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2012**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Year</u>	<u>Program Receipts</u>	<u>Program Expenses</u>
U.S. Department of Health and Human Services:					
Direct programs:					
* Community Health Center Section 330	93.224	H80CS00579	3/1/12 - 2/28/13	\$ 735,236	\$ 735,236
	93.527			539,528	539,528
 *ARRA – New Access Point	 93.703	 H8ACS11411	 3/1/09 – 8/31/11	 183,211	 183,211
*ARRA-Capital Improvement Grant	93.703	C81CS13886	6/29/2009 – 12/31/2011	81,416	81,416
				<hr/>	<hr/>
Total federal assistance				<u>\$ 1,539,391</u>	<u>\$ 1,539,391</u>

\*Denotes major program.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Louisiana Primary Health Care Center, Inc., and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Certain costs have been allocated to the federal program in accordance with OMB Circular A-122, Cost Principles for Non-Profit Organizations. The amounts presented in this schedule do not differ from amounts presented in, or used in the preparation of the financial statements.

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### Board of Directors

Southwest Louisiana Primary Health Care Center, Inc.

Opelousas, Louisiana

I have audited the financial statements of Southwest Louisiana Primary Health Care Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued my report thereon dated October 17, 2012. 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

Management of Southwest Louisiana Primary Health Care Center, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting as a basis for designing our 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 Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Southwest Louisiana Primary Health Care Center, Inc.'s internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Louisiana Primary Health Care Center, Inc.'s, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
October 17, 2012

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

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## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

### Compliance

I have audited Southwest Louisiana Primary Health Care Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southwest Louisiana Primary Health Care Center, Inc.'s, major federal programs for the year ended June 30, 2012. Southwest Louisiana Primary Health Care Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Southwest Louisiana Primary Health Care Center, Inc.'s, management. My responsibility is to express an opinion on Southwest Louisiana Primary Health Care Center, Inc.'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. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southwest Louisiana Primary Health Care Center, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Southwest Louisiana Primary Health Care Center, Inc.'s compliance with those requirements.

In my opinion, Southwest Louisiana Primary Health Care Center, Inc., complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

This report is intended solely for the information and use of the audit committee, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
October 17, 2012

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, LA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	___ Yes <u>x</u> No
Significant deficiency identified not considered to be material weaknesses?	___ Yes <u>x</u> None reported
Noncompliance material to financial statements noted?	___ Yes <u>x</u> No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	___ Yes <u>x</u> No
Significant deficiency identified not considered to be material weaknesses?	___ Yes <u>x</u> None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	___ Yes <u>x</u> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	U.S. Department of Health and Human
93.527	Services, Community Health Center
	Section 330
93.703	ARRA – New Access Point
93.703	ARRA – Capital Improvement Grant

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

Auditee qualified as low-risk auditee? \_\_\_ Yes    x No

**A separate management letter was not issued.**

**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2012**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

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

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



**SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.**  
**Opelousas, Louisiana**  
**Summary Schedule of Prior Year Findings and Questioned Costs**  
**Year Ended June 30, 2012**

PRIOR YEAR FINDINGS

None