

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.  
FINANCIAL STATEMENTS  
AUGUST 31, 2013 AND 2012**

**TABLE OF CONTENTS**

	Page No
Independent Auditors' Report .....	1-2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position .....	3
Statement of Activities .....	4-5
Statement of Cash Flows .....	6-7
Notes to Financial Statements	
Notes .....	8-14
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Functional Expenses .....	15
Schedule of Expenditures of Federal Awards .....	16
Report on Internal Control over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	17-18
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 .....	19-20
Schedule of Findings and Questioned Costs .....	21-22
Communications .....	23

# MC DUFFIE K. HERROD, LTD.

(A Professional Accounting Corporation)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Primary Care Providers For A Healthy Feliciana, Inc.  
Clinton, Louisiana

We have audited the accompanying financial statements of Primary Care Providers For A Healthy Feliciana, Inc. (a non-profit organization), which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

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

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

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

## Opinion

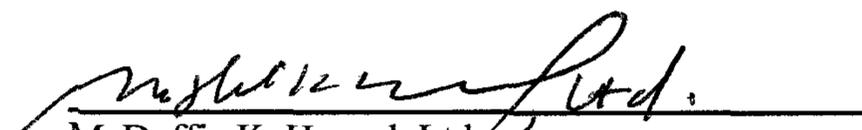
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Primary Care Providers For A Healthy Feliciana, Inc. as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2014, on our consideration of Primary Care Providers for a Healthy Feliciana, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Primary Care Providers for a Healthy Feliciana, Inc.'s internal control over financial reporting and compliance.

  
\_\_\_\_\_  
McDuffie K. Herrod, Ltd.  
A Professional Accounting Corporation

Clinton, Louisiana  
February 28, 2014

# **FINANCIAL STATEMENTS**

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 684,896	\$ 199,813
Accounts receivable- net	588,237	680,436
Investments	-	75,412
Property and equipment- net	6,119,551	6,406,020
Prepaid expenses	51,552	48,851
Restricted assets:		
Cash and cash equivalents	286,822	284,727
 Total Current Assets/Total Assets	 \$ 7,731,058	 \$ 7,695,259
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 111,851	\$ 148,341
Accrued expenses	265,637	216,680
Notes payable	4,863,232	4,908,818
 Total Liabilities	 \$ 5,240,720	 \$ 5,273,839
 Net Assets		
Unrestricted net assets	\$ 2,203,516	\$ 2,136,693
Temporarily restricted net assets:		
Certificates of deposit	286,822	284,727
 Total net assets	 \$ 2,490,338	 \$ 2,421,420
 Total Liabilities and Net Assets	 \$ 7,731,058	 \$ 7,695,259

See Accompanying Notes and Auditor's Report

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

<u>UNRESTRICTED NET ASSETS</u>	2013	2012
<b>SUPPORT AND REVENUES</b>		
Medicare and Medicaid revenues	\$ 7,937,142	\$ 5,303,008
Medicare settlement revenue	10,377	2,613
Patient revenue contractual adjustments	(6,088,382)	(3,291,315)
Grants- FQHC revenues	2,066,528	2,072,307
Grants- other		48,625
School-based care grant revenues	129,790	130,073
Grants-other school based care grants	139,059	429,651
Private patient revenues	2,965,234	2,178,805
Drug Program revenues	62,053	62,774
Medicaid/DHH Incentive Program Revenues	159,388	45,850
Contributions- unrestricted	550	19,980
Gain on Assets sold	2,420	-
Miscellaneous income	64,774	19,561
Realized gain on sale of securities	441,100	
	<b>\$ 7,890,033</b>	<b>\$ 7,021,932</b>
<b>EXPENSES</b>		
Program Services		
Salaries- medical and clerical personnel	3,887,280	3,306,037
Payroll taxes and costs	312,871	264,378
Medical Director costs	13,349	13,385
Medical supplies	262,526	244,826
Clinic building expenses	704,928	717,952
Other program service costs	345,019	403,549
	<b>\$ 5,525,973</b>	<b>\$ 4,950,127</b>

See Accompanying Notes and Auditor's Report

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**STATEMENT OF ACTIVITIES (Continued)**  
**FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

	2013	2012
Supporting Services		
General & Administrative	\$ 2,295,142	\$ 2,122,425
Total Expenses	7,821,115	7,072,552
INCREASE(DECREASE) IN NET ASSETS	\$ 68,918	\$ (50,620)
NET ASSETS AT BEGINNING OF PERIOD	2,421,420	2,472,040
NET ASSETS AT END OF PERIOD	\$ 2,490,338	\$ 2,421,420

See Accompanying Notes and Auditor's Report

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase(decrease) in net assets	\$ 68,918	\$ (50,620)
Adjustments to reconcile changes in net assets to net cash provided(used) by operating activities:		
Depreciation	436,580	160,472
(Increase)decrease in operating assets		
Accounts receivable	92,199	(298,039)
Prepaid expenses	(2,701)	(45,589)
Increase(decrease) in operating liabilities		
Accounts payable	(24,548)	(48,970)
Accrued expenses	48,958	(199,518)
	<u>619,406</u>	<u>(482,264)</u>
Net Cash Provided(Used) by Operating Activities	<u>\$ 619,406</u>	<u>\$ (482,264)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(176,886)	(386,508)
Sale of investments	75,412	
Interest earned on investments	(3,920)	(4,662)
	<u>(105,394)</u>	<u>(391,170)</u>
Net Cash Provided(Used) by Investing Activities	<u>\$ (105,394)</u>	<u>\$ (391,170)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from bank loans	217,318	478,432
Principal payments on notes payable	(244,152)	(120,380)
	<u>(26,834)</u>	<u>358,052</u>
Net Cash Provided(Used) by Financing Activities	<u>\$ (26,834)</u>	<u>\$ 358,052</u>
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>487,178</b>	<b>(515,382)</b>

See Accompanying Notes and Auditor's Report

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**STATEMENT OF CASH FLOWS (continued)**  
**FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>484,540</u>	<u>999,922</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 971,718</u>	<u>\$ 484,540</u>

Supplemental Disclosure of Cash Flow Information:

Non-capitalized interest paid for fiscal year ended 8/31/2013 totaled \$2,369.

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC. was formed on August 6, 1998, for the purpose of operating and maintaining a non-profit medical clinic, known as RKM Primary Care, and other related activities, including participation in the Louisiana Department of Health and Hospitals, Office of Public Health's Adolescent and School Health Program. The corporation is located in Clinton, Louisiana. It is governed by a thirteen member board whose policies are administered by the executive director. The corporation is supported primarily through fees for services paid by patients, Medicare, Medicaid and private insurance companies. Other support is derived from donations and grants. In September of 2005, the corporation was granted status as a Federally Qualified Health Center. In addition to its main clinic location operated as "RKM Primary Care" in Clinton, Louisiana, the corporation also operates six other sites located in East Feliciana Parish, and East and West Baton Rouge Parishes. Also, Behavioral Health Services are offered in fifteen schools in Livingston Parish, four schools in Tangipahoa Parish, and in four schools in West Baton Rouge Parish.

**The significant accounting policies are as follows:**

**Method of Accounting**

The financial statements of PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC. are presented on the accrual basis of accounting.

**Financial Statement Presentation**

The organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-For-Profit Organizations*" (now FASB ASC 958). Under SFAS No. 117, the organization 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. In addition, the organization is required to present a statement of cash flows.

**Contributions**

The corporation also elected to adopt SFAS No. 116, "*Accounting for Contributions Received and Contributions Made*". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time and purpose of the restriction.

**Estimates**

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

**Income Taxes**

The corporation is a not-for-profit corporation that is exempt from federal and state income taxes, under Internal Revenue Code section 501(c)(3).

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid investments unrestricted for current use with initial maturities of three months or less to be cash equivalents.

**Property and Equipment**

Property and equipment purchased by the corporation are recorded at cost. They are depreciated using the straight-line method over the estimated useful lives of the assets. Equipment expected to be used for a period extending over one or more years is capitalized. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Restricted and Unrestricted Revenue and Support**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Receivables**

Receivables are recorded at net realizable value. They are written off in full when it is determined that the unpaid balance is not collectible. Revenue and related receivables are subject to audit by cognizant agencies.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Demand deposits	\$ 683,846	\$ 286,822	\$ 970,668
Petty Cash	\$ 1,050	\$ -	\$ 1,050
	<u>\$ 684,896</u>	<u>\$ 286,822</u>	<u>\$ 971,718</u>

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment is composed of the following:

<u>Item</u>	<u>Beginning Balance</u>	<u>Net Additions</u>	<u>Ending Balance</u>
Medical Equipment	\$ 974,751	74,430	1,049,181
Office Furniture & Equipment	871,574	81,893	953,467
Land & Buildings	<u>6,421,170</u>	<u>25,944</u>	<u>6,447,114</u>
	<u>8,267,495</u>	<u>182,267</u>	<u>8,449,762</u>
Less: Accumulated Depreciation			(2,330,211)
Net Book Value			<u>6,119,551</u>

Depreciation expense for the year ended August 31, 2013 was \$436,580.

**NOTE 4 – MEDICARE COST REPORTING**

The corporation is required to file a Medicare cost report annually. The total due from Medicare at the end of the year was \$9,966. A Medicaid cost report is not filed presently; however, Medicaid receives a copy of the Medicare cost report.

**NOTE 5 - NOTES PAYABLE**

The corporation is currently making payments on seven loans that were executed for construction of the new building (see note number 6), purchase of equipment, and for working capital needs. The interest rate varies between 3.38% and 5.15% on the notes. The principal portion of the notes for the next five years, is as follows:

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

NOTE 5 - NOTES PAYABLE, continued

<u>Fiscal Year Ending</u>	<u>Balance</u>
08/31/14	\$ 101,632
08/31/15	48,886
08/31/16	1,405,654
08/31/17	37,408
08/31/18	17,941
Remaining years	<u>3,251,711</u>
	<u>\$4,863,232</u>

NOTE 6 – CAPITAL OUTLAY FINANCING ARRANGEMENTS FOR NEW FACILITY

In May 2009 the corporation entered into a funding transaction consisting of leveraged grant funding, direct loans, and a New Market Tax Credit (NMTC) loan totaling \$4,260,324. The sources of this financing include:

Louisiana Primary Care Association (LPCA) - \$1,904,957: In 2008, State of Louisiana appropriated \$41,000,000 for community health centers to fund the Facility Expansion Initiative. The State entered into a cooperative endeavor agreement with LPCA for the administering of those funds. Through an application process projects were awarded in amounts totaling no more than 40.5% of the total project cost. The state awarded these projects with the expectation they be used to leverage additional funds.

US Bancorp via a direct loan to CapLink CDE - \$989,610: At the conclusion of transaction between the corporation and CapLink, CDE, US Bancorp agreed to purchase \$989,610 in federal tax credits which in turn would be invested in the CDE. At the conclusion of the seven-year credit benefit year, US Bancorp can choose to leave the transaction and move the amount of the credits to the company in the form of “put money” and forgive this amount of debt thereby creating equity in the investment.

CapLink, CDE - \$1,365,757: This loan is a direct loan to the corporation as well and should be the amount of “hard debt” left to refinance at the end of the seven year NMTC investment period.

Because of this financing structure and the use of leveraged funds, the effective rate of interest for the first seven years is 3.466%.

NOTE 7 – STAFFING - EMPLOYEES

The corporation’s staff is compensated by a payroll processing service, who handles all aspects of the payroll, including related taxes. The Organization manages the health and other insurance plans itself. The health reimbursement accounts and flexible spending accounts for the employees are managed by Medcom. The corporation pays fees to cover all related costs directly to the service companies.

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**NOTE 8 – SCHOOL-BASED PROGRAMS**

Effective November 1, 1999, the corporation entered into a contract with the Louisiana Department of Health and Hospitals to provide on-site medical services to students in the school health center at Clinton Middle School. For the fiscal year, the contract provided funding for the program of \$129,790. Expenditures under this program included \$129,790 paid with grant revenue, with additional expenditures being funded by patient generated income, most of which is Medicaid. Expenditures for the program, including overhead, totaled \$480,639.

The corporation operates similar programs at East Feliciana High School, Slaughter Elementary School and Clinton Lower Elementary School. All were funded in August, 2008 as Federally Qualified Health Centers by the Human Resources and Services Administration as New Access Points. In addition to the federal grants, other funds are received from Medicaid, private insurance companies, and state grants.

The East Feliciana Parish School Board provides utilities at all school-based sites in that parish. In addition, it provides space for the clinic at the East Feliciana High site.

Expenditures under all of these programs include:

Administrative & Supplies	\$ 1,448,866
Salaries & Wages	<u>3,405,881</u>
Total Expended	<u>\$ 4,854,747</u>

**NOTE 9 - LIQUIDITY OF ASSETS AND LIABILITIES**

The liquidity of the corporation's current assets and liabilities is as follows:

Cash and cash equivalents- unrestricted	\$ 684,896
Accounts receivable-net	<u>588,237</u>
Total Current Assets	<u>\$ 1,273,133</u>
Accounts payable	111,851
Accrued expenses	265,637
Notes payable, current portion	<u>101,632</u>
Total Current Liabilities	<u>\$ 479,120</u>
Surplus	<u>\$ 794,013</u>

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

NOTE 10 - DONATED SERVICES

The corporation occasionally receives donated services from various unpaid volunteers assisting in the general operations and management. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts under SFAS no. 116 have not been satisfied.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 28, 2014, the date on which the financial statements were available to be issued, and has determined that no events occurred that require disclosure.

NOTE 12 - FUNCTIONAL EXPENSES

The costs of providing the program and supporting services have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services.

NOTE 13 - RESTRICTED ASSETS

Cash and cash equivalents restricted consist of certificate of deposit accounts. The certificates of deposit are held as security for a line of credit that is used for payment of operating expenses.

NOTE 14 – ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The accounts receivable balance increased substantially over the previous year due, in part, to an increase in the number of sites, which consequently increased the number of patient visits and also in part to the changes in the Louisiana Medicaid Program. The allowance for doubtful accounts balance also increased substantially. This is partly due to the inherent nature of medical billing, particularly the contractual adjustments related to Medicare and Medicaid. Additionally, the organization wrote off a substantial number of accounts receivable accounts. This was due to changes within the Billing Department and a detailed review of old accounts receivable accounts.

In February 2011, the state transitioned the Medicaid Program to the Medicaid Managed Care Program reimbursement system. The change forced providers to contract with as many as six Managed Care intermediaries: two saver program plans, three prepaid plans, and a mental health intermediary. Therefore, moving from a system with one payor to one involving six payors greatly burdened the organization and the billing staff because changes to the payment methodology occurred with little communication and slow response times from the plans to correct systematic issues. To date, the organization continues to work diligently to rectify the outstanding claims and has made significant

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

progress in bad debt recoveries in the current fiscal year. Also, the organization has begun reorganizing the existing billing department to accommodate the changes in Managed Care Medicaid billing, as well as the implementation of enhanced training of front desk personnel, the billing staff, and providers. During the fiscal year, the billing staff was actively engaged in ICD-10 coding which was implemented in January 2014. Training began in early 2013 and continued periodically during the fiscal year in preparation for the transition in coding.

Accounts receivable, allowance for doubtful accounts and bad debt expense for the periods are, as follows:

	FYE 8/31/2013	FYE 8/31/2012
Accounts receivable	\$ 1,572,080	\$ 1,081,016
Allowance for doubtful accounts	(983,843)	(400,580)
Net Accounts Receivable	<u>\$ 588,237</u>	<u>\$ 680,436</u>
Bad debt expense	\$ 766,701	\$ 313,820

**NOTE 15 – REALIZED GAIN ON SALE OF SECURITIES**

The organization sold their entire investment in Louisiana Partnership for Choice & Access, LLC for \$516,512 during the current audit period. The book value in the investment was \$75,412, which yielded a realized gain of \$441,100. The reason this investment was liquidated was that the majority interest holder indicated their desire to own 100% of that organization. The proceeds from the sale were placed in a savings account.

## **SUPPLEMENTAL INFORMATION**

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2013**

<u>Account Name</u>	<u>Program</u>	<u>Supporting</u>
Accounting, auditing and professional fees		\$37,022
Advertising	29,628	
Auto expense	5,693	
Bank charges		1,135
Building operating costs	704,928	
Computer processing and billing costs		38,354
Continuing education		
Contract services	66,266	
Depreciation - equipment		155,743
Donations		2,000
Dues and subscriptions		26,716
Employee benefits		300,016
Employee retirement		99,205
Repairs and maintenance		160,856
Insurance expense		29,592
Interest expense		2,369
Licenses and permits		38,867
Meals and entertainment	6,915	255
Medical director	13,349	
Medical supplies	262,526	
Minor Equipment	39,842	
Office supplies and expense		29,834
Payroll costs and taxes	312,871	78,218
Postage and freight		11,173
Printing and copying		56,559
Rental Expense		83,728
Salaries and wages	3,887,280	971,820
Software Supplies		5,000
Supplies		31,876
Telephone expense	196,675	20,235
Travel expense		60,156
Waste disposal		26,716
Other Expense		27,697
Totals	\$5,525,973	\$2,295,142

See Accompanying Notes and Accountant's Report

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013**

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U. S. Department of Health and Human Services Health Resources and Services Administration Federally Qualified Health Center Grant	93.224	\$ 2,066,528
U. S. Department of Health and Human Services Affordable Care Act Grants for School Based Health Centers Capital Program	93.501	\$ 119,259

State of Louisiana Grants

<u>Grantor/Pass-through Grantor Program Title</u>	<u>Expenditures</u>
Department of Health and Hospitals Adolescent School Health Program	\$ 129,790
Department of Health and Hospitals Oral Health Program	\$ 4,800

See Accompanying Notes and Accountant's Report

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Primary Care Providers For A Healthy Feliciana, Inc.  
Clinton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Primary Care Providers For A Healthy Feliciana, Inc (a nonprofit organization) which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated February 28, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered Primary Care Providers For A Healthy Feliciana, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Primary Care Providers For A Healthy Feliciana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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

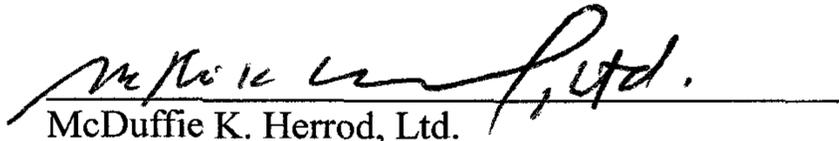
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, the board of directors, others within the organization and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



McDuffie K. Herrod, Ltd.

A Professional Accounting Corporation

Clinton, Louisiana

February 28, 2014

**MC DUFFIE K. HERROD, LTD.**  
(A Professional Accounting Corporation)

**McDUFFIE K. HERROD**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Directors  
Primary Care Providers For A Healthy Feliciana, Inc.  
Clinton, Louisiana

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

We have audited the compliance of Primary Care Providers For A Healthy Feliciana, Inc.'s (a nonprofit organization) 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 Primary Care Providers For A Healthy Feliciana, Inc.'s major federal programs for the years ended August 31, 2013 and 2012. Primary Care Providers For A Healthy Feliciana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Primary Care Providers For A Healthy Feliciana, Inc.'s major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audits 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 Primary Care Providers For A Healthy Feliciana, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major program. However, our audits do not provide a legal determination of Primary Care Providers For A Healthy Feliciana, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Primary Care Providers For A Healthy Feliciana, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended August 31, 2013 and 2012.

### **Report on Internal Control Over Compliance**

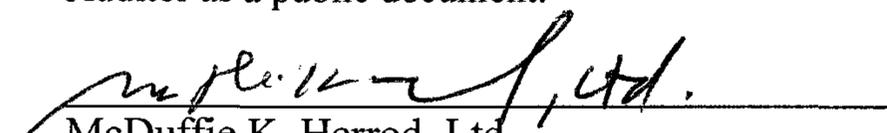
The management of Primary Care Providers For A Healthy Feliciana, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered Primary Care Providers For A Healthy Feliciana, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Primary Care Providers For A Healthy Feliciana, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

This report is intended solely for the information and use of management, the board of directors, others within the organization, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

  
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McDuffie K. Herrod, Ltd.  
A Professional Accounting Corporation

Clinton, Louisiana  
February 28, 2014

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Primary Care Providers For A Healthy Feliciano, Inc.
2. No material weaknesses were identified during the audits of the financial statements.
3. No instances of noncompliance material to the financial statements of Primary Care Providers For A Healthy Feliciano, Inc. were disclosed during the audits.
4. No material weaknesses were identified during the audits of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Primary Care Providers For A Healthy Feliciano, Inc. expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program included: U. S. Department of Health and Human Services - Health Resources and Services Administration Federally Qualified Health Center Grant (93.224).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Primary Care Providers For A Healthy Feliciano, Inc. qualified as a low-risk auditee.

**FINDINGS-FINANCIAL STATEMENTS AUDIT**

Current Period Finding:

Finding 2013-1      A substantial increase in bad debt in the current period resulted from the write-off of over age accounts receivable. This was due primarily to a change in the Louisiana Medicaid Program to a managed care type reimbursement system, as set forth in the notes to the financial statements - note number 14. The chief obstacle the organization faced was the burden of moving from a system of reimbursement consisting of one payor to a system involving six payors. Additionally, the reimbursement methodology changed with very little communication and slow responses to inquiries or system issues being experienced by providers.

Recommendation: Review billing department staff qualifications and experience; also, review claims processing, workload, and sufficient personnel available.

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

Response and corrective action plan: The organization has already begun reviewing billing procedures and is making adjustments in the billing department, accordingly. In the current fiscal year, the organization continues to work diligently to rectify outstanding claims, and reports that they have already recovered approximately \$240,000 in old claims. This is not expected to be a recurring issue.

Prior Period Findings:

None.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT**

Current Period Findings:

None.

Prior Period Findings:

None.

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.  
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

**COMMUNICATIONS**

Results of audit findings were discussed with Ginger Hunt, Executive Director, on February 28, 2014.