

**Morehouse Community Medical Centers, Inc.  
Bastrop, Louisiana**

**Annual Financial Report  
As of and for the Year Ended July 31, 2009**

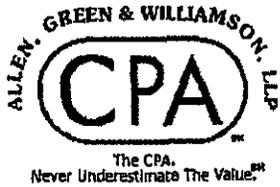
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the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

Release Date 2/17/10

**Morehouse Community Medical Centers, Inc.  
Bastrop, Louisiana**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Morehouse Community  
Medical Centers, Inc.  
Bastrop, Louisiana

We have audited the accompanying statement of financial position of Morehouse Community Medical Centers, Inc., a nonprofit organization, as of July 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Morehouse Community Medical Centers, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morehouse Community Medical Centers, Inc., as of July 31, 2009, 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, we have also issued our report dated January 25, 2010 on our consideration of Morehouse Community Medical Centers, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Morehouse Community Medical Centers, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Allen, Green & Williamson, LLP*  
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
January 25, 2010

MOREHOUSE COMMUNITY MEDICAL CENTERS, INC.

STATEMENT OF FINANCIAL POSITION

July 31, 2009

Statement A

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	475,951
Receivables, net of allowance		108,909
Accrued Interest Income		3,650
Prepaid expenses		<u>5,920</u>
Total current assets		<u>594,430</u>

Capital Asset Net of Depreciation		<u>388,552</u>
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TOTAL ASSETS	\$	<u>982,982</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	48,364
Mortgage payable - current		17,759
Lease payable - current		7,657
Accrued paid time off		<u>15,320</u>
Total current liabilities		<u>89,100</u>

NONCURRENT LIABILITIES

Mortgage payable		239,654
Lease payable		<u>2,479</u>
Total noncurrent liabilities		<u>242,133</u>

TOTAL LIABILITIES		<u>331,233</u>
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NET ASSETS

Unrestricted net assets:		
Capital assets		388,552
Operating		<u>263,197</u>
Total net assets		<u>651,749</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u>982,982</u>
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THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC.**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended July 31, 2009**

**Statement B**

	<u>UNRESTRICTED</u>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>	
Net patient service revenue	\$ 1,034,324
Grant revenue	755,779
Other miscellaneous revenue	<u>24,604</u>
Total revenues, gains and other support	<u>1,814,707</u>
<b>EXPENSES AND LOSSES:</b>	
Direct program expenses	<u>1,105,950</u>
Supporting Services Expense	
Office supplies and postage	217,660
Provision for bad debt	31,399
Other charges	48,204
Depreciation expense	<u>13,637</u>
Total supporting services expense	<u>310,900</u>
Total expenses and losses	<u>1,416,850</u>
Change in net assets	397,857
NET ASSETS - BEGINNING OF YEAR	<u>253,892</u>
NET ASSETS - END OF YEAR	<u>\$ 651,749</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC.**

**STATEMENT OF CASH FLOWS  
For the Year Ended July 31, 2009**

**Statement C**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	\$ 397,857
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	13,637
(Increase) decrease in:	
Patient receivable	(6,853)
Accrued interest income	(3,650)
Prepaid expenses	(1,977)
(Decrease) increase in:	
Accounts payable	25,345
Lease payables	(6,742)
Mortgage payable	257,413
Accrued paid time off	<u>9,480</u>
Net cash provided (used) by operating activities	<u>684,510</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of capital assets	<u>(364,301)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	320,209
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>155,742</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 475,951</u>
<b>INTEREST PAID DURING THE YEAR</b>	<u>\$ 4,066</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2009**

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**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2009**

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

**Corporate Purpose** Morehouse Community Medical Centers, Inc. was organized without capital stock under Louisiana laws on November 15, 2002, as a non-profit corporation for the purpose of operating one or more community health centers for the public and/or providing medical care or medical education for the benefit of the public. The Board of Directors of Morehouse Community Medical Centers, Inc. is comprised of ten members who serve without paid compensation.

**Income Taxes** Morehouse Community Medical Centers, Inc. is qualified as an organization exempt from Federal income taxes pursuant to Paragraph 501(c)(3) of the Internal Revenue Code. No provision for income taxes is necessary.

**Fiscal Cycle** Morehouse Community Medical Centers, Inc.'s fiscal year is August 1<sup>st</sup> through July 31<sup>st</sup>.

**Budgetary Planning and Control** Once Morehouse Community Medical Centers, Inc. determines the activities to undertake for the coming year(s), the budget is prepared to translate those goals, objectives, and plans into revenue and expense figures. The Chief Executive Officer develops the budget in collaboration with the executive staff with input obtained from others such as other senior management. The governing board's finance committee reviews and approves both the operating and capital expense budgets. Once approved, the budgets are submitted to the full board for review and approval. Budgets are reviewed quarterly and revised if deemed necessary. A continuing actual to budget comparison is prepared monthly with year-to-date figures in adequate detail to provide basic comparative data to staff responsible for expenses or revenues.

**Cash and Cash Equivalents** For purposes of the statement of cash flows, Morehouse Community Medical Centers, Inc. considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Revenues** Morehouse Community Medical Centers, Inc. receives income from patient billings, federal sources, and state sources.

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

**Rental of Facilities** Morehouse Community Medical Centers leased a building from Downs & Gladney, LLP until June 3, 2009. This agreement was terminated and the building was purchased by Morehouse Community Medical Centers. The total rent for the period ending July 31, 2009 was \$31,503.

**Net Patient Service Revenue** Net patient service revenue is patient revenue reported at Morehouse Community Medical Centers, Inc.'s established rates less contractual adjustments and policy discounts. Retroactive adjustments arising under reimbursement agreements with third-party payers are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Morehouse Community Medical Centers, Inc. has agreements with third-party payers that provide reimbursement to the Medical Centers at amounts different from its established rates. Contractual adjustment under third-party reimbursement programs represent the difference between the Medical Centers' rates for

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2009**

services and amounts reimbursed by third-party payers. A summary of the basis of reimbursement with major third-party payers follows:

Medicare - Fee For Service – Reimbursed on one rate regardless of the services provided.

Medicaid - Fee For Service - Reimbursed on one rate regardless of the services provided.

Blue Cross - Fee For Service - Reimbursed on Blue Cross Fee Schedule

Commercial - Fee For Service - Reimbursed per contract or per payor's allowable fee schedule

The following is a summary of contractual and other adjustments to arrive at net patient service revenues for the year ended July 31, 2009: .

Gross patient service revenue	\$1,123,435
Less contractual adjustments	
Medicare	4,481
Unisys	(80,586)
Other third parties	<u>165,216</u>
Net patient service revenue	<u>\$1,034,324</u>

Approximately eighty five percent of the net patient service revenue comes from Unisys billings.

**Property, Plant, and Equipment** Property and equipment acquisitions exceeding \$5,000 are recorded at cost. Property and equipment donated for the Morehouse Community Medical Centers, Inc. operations are valued at their fair market value as of the date received.

All exhaustible property and equipment are shown in the accompanying balance sheet at their original costs, less accumulated depreciation. Depreciation is recorded on the straight-line method over the useful lives as follows:

Land improvements	10-30 years
Buildings	15-40 years
Fixed equipment	5-20 years
Major moveable equipment	3-20 years

**Compensated Absences** The policy states the following:

The amount of paid time off (PTO) accrual or credit is based on the number of months/years of continuous service as shown in the following schedule:

<u>LENGTH OF SERVICE</u>	<u>PTO DAYS EARNED</u>
0 - 90 days	None
90 days - 5 years	10 days (maximum of 80 hours)
5 years - 10 years	15 days (maximum of 120 hours)
10 years and beyond	20 days (maximum of 160 hours)

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2009**

<u>LENGTH OF SERVICE</u>	<u>SICK DAYS EARNED</u>
0 - 90 days	None
90 days - 5 years	6 days (maximum of 48 hours)
5 years - 10 years	6 days (maximum of 48 hours)
10 years and beyond	6 days (maximum of 48 hours)

<u>LENGTH OF SERVICE</u>	<u>HOLIDAY EARNED</u>
After 90 days, all full-time employees will be paid their base rate for 8 holidays per year. Holiday pay is based on the employee's normal scheduled hours for the applicable shift.	

PTO shall be earned each pay period on an accrual basis. For example, an employee with 3 years of service would earn 3.08 hours per pay period.

If employees terminate employment and have accrued but unused vacation days, they will be paid for those days on their final paycheck. Unused sick days and holidays will be forfeited at the end of each calendar year.

If an employee's length of service changes within a pay period (as opposed to the beginning of a pay period) the PTO accrual will change at the beginning of the following pay period. All part-time to full-time and full-time to part-time changes must be effective at the beginning of a pay period.

Morehouse Community Medical Centers, Inc. offers a benefit plan which includes health insurance coverage for employees and dependents in which the cost is split between the employer and the employee. The benefit plan also includes basic life insurance and a pension plan. The cost of the basic life is paid 100% by the Morehouse Community Medical Centers, Inc. and the Morehouse Community Medical Centers, Inc. contributes 5% of the employees' base salary to the pension plan.

**NOTE 2 - DEPOSITS** At July 31, 2009, Morehouse Community Medical Centers, Inc. had cash and cash equivalents (book balances) totaling \$475,951 in demand deposits. Deposits are stated at cost, which approximates fair value. These deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At year end, Medical Centers' carrying amount of deposits was \$475,951 and the bank balance was \$493,142. Of the bank balance, \$493,142 was covered by federal deposit insurance.

**NOTE 3 - ACCOUNTS RECEIVABLE** Accounts receivable, net of allowance was \$108,909 at July 31, 2009, consists of amounts due for patient billings. An allowance for doubtful accounts of \$83,833 has been established for those patient accounts deemed uncollectible by management. Also, an allowance account for Medicaid adjustments of \$58,344 has been established for amounts not provided by the third party insurance provider in regards to start up problems in the previous year.

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2009**

**NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT** The balances and changes in property, plant, and equipment as of and for the year ended July 31, 2009 are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
<b>Asset type:</b>				
Land	\$ -	\$ 89,949	\$ -	\$ 89,949
Buildings	-	239,532	-	239,532
Furniture and equipment	43,300	5,000	-	48,300
Vehicles	-	29,820	-	29,820
Total	<u>43,300</u>	<u>364,301</u>	<u>-</u>	<u>407,601</u>
<b>Accumulated depreciation:</b>				
Buildings	-	998	-	998
Furniture and equipment	5,412	9,160	-	14,572
Vehicles	-	3,479	-	3,479
Total	<u>5,412</u>	<u>13,637</u>	<u>-</u>	<u>19,049</u>
Total Property, Plant Equipment	<u>\$ 37,888</u>	<u>\$ 350,664</u>	<u>\$ -</u>	<u>\$ 388,552</u>

**NOTE 5 - COMMITMENTS AND CONTINGENCIES** The Clinic has secured a \$50,000 line of credit with a local bank. There was no outstanding balance as of 7/31/09.

**NOTE 6 - SUBSEQUENT EVENTS** Morehouse Medical is opening a new clinic in Mer Rouge, LA and a school based health center in Bastrop during the coming fiscal year. These will involve expenditures for leasehold improvements at both sites. The clinic is anticipating buying new software in the coming year as well as contracting for dental services.

**NOTE 7 - LONG TERM LIABILITIES** The following is a summary of the long-term obligations transaction for the year ended July 31, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Mortgage Payable	\$ -	\$ 260,611	\$ 3,198	\$ 257,413	\$ 17,759

The obligation is due as follows:

Year Ending July 31,	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2010	\$ 17,759	\$ 14,697	\$ 32,456
2011	20,573	14,834	35,407
2012	21,901	13,507	35,408
2013	23,390	12,017	35,407
2014	173,790	9,667	183,457
Total	<u>\$ 257,413</u>	<u>\$ 64,722</u>	<u>\$ 322,135</u>

The Medical Center purchased a building in June 2009. The mortgage is payable monthly and matures June 1, 2014 with an interest rate of 6.35%.

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2009**

**NOTE 8 - CAPITAL LEASE OBLIGATIONS** The Morehouse Community Medical Centers, Inc. records items under capital leases as an obligation in the accompanying financial statements. The following is an analysis of equipment under capital leases:

<u>Type</u>	<u>July 31, 2009</u>
Computer Equipment	\$16,222
Copier	<u>4,950</u>
Total	<u>\$21,172</u>

The equipment purchased was under the capitalization threshold and therefore is not capitalized.

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of July 31, 2009.

<u>Years ending July 31</u>	<u>Computer Equipment</u>	<u>Copier</u>	<u>Total</u>
2010	\$ 6,465	\$ 1,990	\$ 8,455
2011	2,155	324	2,479
Total minimum lease payments	<u>8,620</u>	<u>2,314</u>	<u>10,934</u>
Less amounts representing interest	690	108	798
Present value of net minimum lease payments	<u>\$ 7,930</u>	<u>\$ 2,206</u>	<u>\$ 10,136</u>

**NOTE 9 - COMPENSATED ABSENCES** For the year ended July 31, 2009 Morehouse Community Medical Centers, Inc. had \$15,320 of accrued Paid Time Off -Vacation for their employees.

**NOTE 10 - RELATED PARTIES** Until September 15, 2008, Morehouse Community Medical Centers, Inc. had a doctor's salary paid by Morehouse General Hospital and reimbursed by Morehouse Community Medical Centers, Inc. The doctor became an employee of Morehouse Community Medical Centers, Inc. on September 15, 2008.

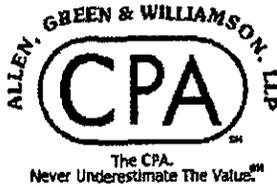
**NOTE 11 - RETIREMENT** The Morehouse Community Medical Centers, Inc. established a Simple IRA plan effective January 1, 2008. All employees are eligible to participate after one year of service. The plan is a defined contribution plan administered by Aim Investments. Under the plan Morehouse Community Medical Centers, Inc. contributes 5% of each eligible employee's gross salary. Employees can also contribute to the plan but are not required to do so. The funds are immediately vested when paid into the plan. The plan is based on the IRS code and must comply with all IRS code requirements. The Morehouse Community Medical Centers, Inc. contributions to the plan for the year ended July 31, 2009 were \$16,956 and employees contributed \$4,176.

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2009**

**NOTE 12 - CONCENTRATIONS** The Medical Center receives a Consolidated Health Centers grant from the Department of Health and Human Services. The total received on the grant for the year ended July 31, 2009 was \$632,795 which was 35% of total revenue received. The grant is a three year grant from September 1, 2007 through October 31, 2010.

**NOTE 13 - ACCOUNTS AND SALARIES PAYABLE** Accounts and salaries payable consists of the following:

Accounts payable	\$ 13,978
Salaries payable	<u>34,386</u>
Total	<u>\$ 48,364</u>



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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**

The Board of Directors  
Morehouse Community Medical Centers, Inc.  
Bastrop, Louisiana

We have audited the financial statements of Morehouse Community Medical Centers, Inc. (a non-profit organization) as of and for the year ended July 31, 2009, and have issued our report thereon dated January 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Morehouse Community Medical Centers, Inc. internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Morehouse Community Medical Centers, Inc. internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Morehouse Community Medical Centers, Inc. internal control over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance & Other Matters

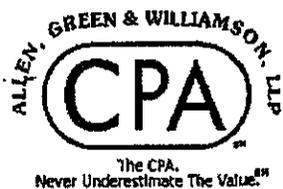
As part of obtaining reasonable assurance about whether the Morehouse Community Medical Centers, Inc. financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board, management, 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. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Allen, Green + Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
January 25, 2010



# ALLEN, GREEN & WILLIAMSON, LLP

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## Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

The Board of Directors  
Morehouse Community Medical Centers, Inc.  
Bastrop, Louisiana

### Compliance

We have audited the compliance of Morehouse Community Medical Centers, Inc. (a non-profit organization) with the types of compliance requirements described in OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended July 31, 2009. The Morehouse Community Medical Centers, Inc. major federal programs are identified in the summary of auditors' 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 the Morehouse Community Medical Centers, Inc. management. Our responsibility is to express an opinion on the Morehouse Community Medical Centers, Inc. compliance based on our audit.

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

In our opinion, the Morehouse Community Medical Centers, 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 July 31, 2009.

Internal Control Over Compliance

The management of the Morehouse Community Medical Centers, 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 our audit, we considered the Morehouse Community Medical Centers, Inc. internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Morehouse Community Medical Centers, Inc. internal control over compliance.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our 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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, 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. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*  
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
January 25, 2010

**Morehouse Community Medical Centers, Inc.**

**Schedule of Expenditures of Federal Awards  
For the Year Ended July 31, 2009**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME</b>	<b>CFDA <u>Number</u></b>	<b>Pass-Through <u>Grantor No.</u></b>	<b><u>Expenditures</u></b>
<b>CASH FEDERAL AWARDS</b>			
Department of Health and Human Services			
Direct Programs:			
Consolidated Health Centers	93.224	H80CS08764	<u>\$ 632,795</u>
Total Federal Awards			<u><u>\$ 632,795</u></u>

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended July 31, 2009**

**NOTE 1 - GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Morehouse Community Medical Centers, Inc. The Morehouse Community Medical Centers, Inc. reporting entity is defined in Note 1 to the Morehouse Community Medical Centers, Inc. basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**NOTE 2 - BASIS OF ACCOUNTING** The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

**NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS** Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

**NOTE 4 - MATCHING REVENUES** For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**Morehouse Community Medical Centers, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended July 31, 2009**

**PART I - Summary of the Auditors' Results**

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There were no significant deficiencies required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

**Audit of Federal Awards**

- iv. There were no significant deficiencies required to be disclosed by OMB Circular A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal program is:  

CFDA# 93.224      Consolidated Health Centers
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular A-133, Section .530.