

**COMMON GROUND HEALTH CLINIC, INC.**

**Financial Statements as of December 31, 2013  
and for the Year Then Ended  
and Independent Auditors' Report**

COMMON GROUND HEALTH CLINIC, INC.

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Certified Public Accountants & Consultants

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Common Ground Health Clinic, Inc. (a non-profit corporation) (the Clinic) as of December 31, 2013, which comprise the statement of financial position and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended.

### Management's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Common Ground Health Clinic, Inc. as of December 31, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2014 on our consideration of Common Ground Health Clinic, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants as of December 31, 2013, and for the year then ended. 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 read in conjunction with this report in considering the results of our audit.

*Gurtner Zuniga Abney, LLC*

New Orleans, Louisiana  
September 8, 2014

**COMMON GROUND HEALTH CLINIC, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	37,595
Accounts receivable, net		21,435
Grants receivable		121,316
Prepays and other assets		16,469
		16,469

Total current assets 196,815

**PROPERTY AND EQUIPMENT, net**

Land held for development		111,470
Leasehold improvements, furniture, and equipment, net		25,756
		25,756

Total property and equipment, net 137,226

**TOTAL ASSETS** **\$ 334,041**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$	113,083
Line of credit		9,827
		9,827

Total current liabilities 122,910

**COMMITMENTS AND CONTINGENCIES (Notes I and J)**

**NET ASSETS**

Unrestricted		177,798
Temporarily restricted		33,333
		33,333

Total net assets 211,131

**TOTAL LIABILITIES AND NET ASSETS** **\$ 334,041**

See independent auditors' report and accompanying notes to financial statements.

**COMMON GROUND HEALTH CLINIC, INC.  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

UNRESTRICTED SUPPORT AND REVENUES

Medicare and Medicaid	\$	780,867
Managed Care		10,938
Patient payments		55,679
Grants - governmental		121,316
Grants - foundation, trust, and non-profit		49,102
Donated services		7,537
Contributions		13,062
Fundraising		5,358
Donated medical supplies		4,356
Fresh market		13,482
Other income		51,630

Total support and revenues		1,113,327
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Net assets released from restrictions- grants		14,887
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Total unrestricted support and revenues		1,128,214
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OPERATING EXPENSES

Health care		832,184
Management and general		416,789

Total operating expenses		1,248,973
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CHANGE IN UNRESTRICTED NET ASSETS		(120,759)
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TEMPORARILY RESTRICTED NET ASSETS

Increase in temporarily restricted net assets - Grants - foundation, trust, and non-profit		33,333
Net assets released from restrictions		(14,887)

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		18,446
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CHANGE IN NET ASSETS		(102,313)
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NET ASSETS - Beginning of year		313,444
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NET ASSETS - End of year		\$ 211,131
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See independent auditors' report and accompanying notes to financial statements.

**COMMON GROUND HEALTH CLINIC, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Health Care</u>	<u>Management and General</u>	<u>Total Expenses</u>
EXPENSES			
Accounting fees	\$ -	\$ 54,448	\$ 54,448
Bank fees	-	3,985	3,985
Biohazard and trash removal	1,987	2,980	4,967
Computer services	-	8,186	8,186
Depreciation	715	6,008	6,723
Donated services	11,889	-	11,889
Fundraising/marketing events	-	13,891	13,891
Insurance	68,769	6,801	75,570
Interest	-	536	536
Lab testing and diagnostics	17,161	-	17,161
Licenses and membership dues	-	2,588	2,588
Office expenses	-	17,969	17,969
Patient billing services	12,550	-	12,550
Postage	-	2,419	2,419
Professional fees and contract labor	8,268	68,458	76,726
Rent	17,280	720	18,000
Repairs and maintenance	13,509	2,199	15,708
Salaries, related payroll taxes and benefits	646,383	171,823	818,206
Supplies	7,502	13,931	21,433
Travel, conferences, and staff development	9,789	-	9,789
Utilities	2,936	18,038	20,974
Volunteer and patient meals	79	-	79
Other	13,367	21,809	35,176
	<hr/>	<hr/>	<hr/>
Total expenses	<b>\$ 832,184</b>	<b>\$ 416,789</b>	<b>\$ 1,248,973</b>

See accompanying independent auditors' report and notes to financial statements.

**COMMON GROUND HEALTH CLINIC, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (102,313)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	6,723
Change in operating assets and liabilities:	
Accounts receivable	188,588
Grants receivable	(95,394)
Prepays and other assets	51,650
Accounts payable and accrued liabilities	<u>26,137</u>
Net cash provided operating activities	75,391
CASH FLOWS FROM INVESTING ACTIVITIES -	
Additions to property and equipment	(13,013)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	25,000
Payments on line of credit	(15,173)
Payments on notes payable	<u>(48,466)</u>
Net cash used in investing activities	<u>(38,639)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<b>23,739</b>
CASH AND CASH EQUIVALENTS - Beginning of year	<u>13,856</u>
CASH AND CASH EQUIVALENTS - End of year	<u><b>\$ 37,595</b></u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid during the year for interest	<u><b>\$ 536</b></u>

See independent auditors' report and accompanying notes to financial statements.



**COMMON GROUND HEALTH CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE A – NATURE OF ACTIVITIES**

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

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

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

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*Basis of Presentation* – The Clinic classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted, and permanently restricted net assets according to externally (donor) imposed restrictions.

A description of the three net asset categories is as follows:

*Unrestricted net assets* include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Clinic are included in this category. The Clinic has determined that any donor-imposed restrictions for current or developing programs and activities met within the operating cycle of the Clinic are recorded as unrestricted net assets.

*Temporarily restricted net assets* include realized gains and losses, investment income, gifts, and contributions for which donor-imposed restrictions have not been met. Temporarily restricted net assets relate to a private grant received in 2013 with purpose restrictions that has not yet been expended as of December 31, 2013.

*Permanently restricted net assets* are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions. There were no permanently restricted net assets as of December 31, 2013.

COMMON GROUND HEALTH CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

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

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

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

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

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

For the year ended December 31, 2013, the Clinic recognized \$42,528 of revenue related to EHR incentive payments which is included in other revenues in the accompanying statement of activities and change in net assets. This amount was recognized when received and is included in other income on the statement of activities and change in net assets.

COMMON GROUND HEALTH CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

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

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

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

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

**NOTE C – CASH AND CASH EQUIVALENTS**

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

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

**NOTE D – LEASEHOLD IMPROVEMENTS, FURNITURE, AND EQUIPMENT**

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

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

**COMMON GROUND HEALTH CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE E – LAND HELD FOR DEVELOPMENT**

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

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

During 2012, no additional development of the site occurred; the net book value after the disposal in 2011 is \$111,470. There are \$40,000 of unpaid architect fees related to costs that were incurred in 2011 and are still unpaid and included in accounts payable at December 31, 2013. The board is currently revisiting plans for the site and other options for expansion of the Clinic's community outreach but has not yet made any final decisions with respect to future development.

**NOTE F – NOTES PAYABLE AND LINE OF CREDIT**

The Clinic had a note with a financial institution totaling \$27,006 bearing a 5.95% interest rate, dated December 18, 2012 with monthly payments of \$2,701, maturing on November 3, 2013, secured by an insurance policy, which was paid in full during 2013.

The Clinic had a note with a financial institution totaling \$21,460 bearing a 6.50% interest rate, dated December 18, 2012 with monthly payments of \$2,156, maturing on November 1, 2013, secured by an insurance policy, which was paid in full during 2013.

On May 30, 2013, the Clinic executed a \$20,000 line of credit agreement with a bank that matures June 1, 2018 bearing an interest rate of 2.0% plus the U.S. prime rate, which was 5.75% at December 31, 2013. Interest paid during 2013 totaled \$371 and the balance outstanding at December 31, 2013 was \$9,827.

**NOTE G – GRANT REVENUES**

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

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

**COMMON GROUND HEALTH CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE H – PATIENT REVENUES**

The Clinic provides medical assistance to eligible Medicaid and Medicare recipients and receives reimbursements from the State of Louisiana’s Department of Health and Hospitals and the U.S. Department of Health and Human Services’ Centers for Medicare and Medicaid Services (CMS) for claims submitted in conjunction with those services provided. As an FQHC, the Clinic receives a fixed rate per encounter for its Medicare, Medicaid and the Medicaid Greater New Orleans Community Health Connection (GNOCHC) waiver program. The GNOCHC program period is from October 2010 to December 2013, with an extension through December 31, 2014 pending funding. The Clinic also has agreements with other third party payors that provide for payments to the Clinic at amounts different from its established billing rates.

For the year ended December 31, 2013 the Clinic recognized net patient revenue relating to the Medicaid GNOCHC program of \$611,627 which represented 55% of operating revenue. The Medicare intermediary for Medicare patients reimburses for services rendered to Medicare program beneficiaries under an all-inclusive rate for each visit that is subject to audit and retroactive adjustments. Management does not believe that the ultimate outcome of any cost report audit will have a significant impact on the Clinic’s financial statements.

The Clinic grants credit without collateral to its patients. At December 31, 2013, the mix of the Clinic’s net patient accounts receivable balances were as follows:

GNOCHC	35%
Medicaid	24%
Medicare	17%
Other insurance	20%
Self pay	4%
Total	<b>100%</b>

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

**NOTE I – LEASES**

The Clinic leases their facility on a month-to-month basis. For the year ended December 31, 2013, the Clinic incurred \$18,000 in rent expense.

The Clinic leases various types of equipment for its operations which are included in office expenses. The lease agreements expire between June 2014 and April 2018.

**COMMON GROUND HEALTH CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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

2014	11,465
2015	10,680
2016	10,680
2017	10,680
2018	3,560
Total	\$ 47,065

**NOTE J – COMMITMENTS AND CONTINGENCIES**

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

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

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

**NOTE K – DEFINED CONTRIBUTION PLAN**

All full-time employees meeting the minimum age and years of service requirements are covered by a defined contribution plan under the provisions of the Internal Revenue Code Section 401(k). Eligible employees who wish to participate are allowed to contribute up to maximum limits imposed by law of their annual compensation. The Clinic makes matching contributions of the employees' contribution up to the first 5% contributed for each participating employee. The Clinic incurred \$3,797 during the year ended December 31, 2013 for administrative costs and matching contributions.

**NOTE L – OPERATING RESULTS AND LIQUIDITY**

As shown in the accompanying statement of activities, the Clinic incurred an overall decrease in net assets of (\$102,313) for the year ended December 31, 2013 and although current assets exceed current liabilities by \$73,905 as of December 31, 2013, the Clinic has experienced liquidity issues throughout 2013 due to timing of receipt of funding from various sources and continued reductions in revenue from these sources. The primary sources of revenue for the Clinic are Medicaid/GNOCHC program and grants. However, guarantee of continued legislative appropriation of funding for the Medicaid/GNOCHC

**COMMON GROUND HEALTH CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

program cannot be assured (See Note H). The continued success of the Clinic is dependent on the receipt of Medicaid funding, patient and commercial payments, renewal of grant funding sources, as well as identification of new funding sources.

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

**NOTE M – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 8, 2014, and determined that no events occurred that require disclosure, except as described in Note L.



Certified Public Accountants & Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Common Ground Health Clinic, Inc. (the "Clinic") (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Common Ground Health Clinic, 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 Common Ground Health Clinic, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Common Ground Health Clinic, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 Common Ground Health Clinic, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (2013-01 and 2013-02).

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Common Ground Health Clinic, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance with laws and regulations, as described in the accompanying schedule of findings and responses (2013-03).

## **Common Ground Health Clinic's Response to Findings**

Common Ground Health Clinic's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Clinic's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Gurtner Zuniga Almey, LLC*

New Orleans, Louisiana  
September 8, 2014

**COMMON GROUND HEALTH CLINIC, INC.  
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I: Findings Related to the Financial Statements**

2013-01 – Material Weakness in Financial Close and Reporting Process

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

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

2013-02 – Material Weakness related to Misappropriation of Assets

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

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

**Section II: Findings Related to Compliance with Louisiana Governmental Audit Guide**

2013-03 - Timely Filing of Audit Report

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

**Management Response:** With the exception of the current year audit, the Clinic has historically filed the audited financial statements with the Louisiana Legislative Auditor within the prescribed timeline and intends to return to this practice for the fiscal 2014.