

OUTPATIENT MEDICAL CENTERS, INC.**AUDITED FINANCIAL STATEMENTS****JANUARY 31, 2011
(With Summarized Financial
Information for 2010)**

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

Release Date SEP 21 2011

OUTPATIENT MEDICAL CENTERS, INC.
January 31, 2011
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**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Outpatient Medical Centers, Inc.
Natchitoches, Louisiana

We have audited the accompanying statements of financial position of Outpatient Medical Centers, Inc. (a nonprofit organization) as of January 31, 2011, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated July 16, 2010, we expressed an unqualified opinion on those financial statements.

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 Outpatient Medical Centers, Inc., as of January 31, 2011, 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 July 15, 2011, on our consideration of Outpatient Medical Centers, 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 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 financial statements as a whole. The schedules on pages 16 through 20 are presented for purposes of additional analysis and are not a required part of the financial statements of the Organization. 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 also not a required part of the financial statements of the Organization. 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.

Banks Finley, White & Co.

July 15, 2011

OUTPATIENT MEDICAL CENTERS, INC.
Statement of Financial Position
January 31, 2011
(With Summarized Financial Information for 2010)

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents	\$ 694,814	\$ 617,625
Patient care receivables, less allowance of \$747,782 for doubtful accounts	135,082	151,967
Grants and contracts receivable	11,486	10,781
Investments	<u>91,000</u>	<u>91,000</u>
Total Current Assets	<u>932,382</u>	<u>871,373</u>
Fixed Assets:		
Land	106,500	106,500
Building and improvements	3,289,128	3,289,128
Construction in progress	253,159	33,688
Furniture and equipment	1,359,949	1,359,949
Vehicles	<u>25,815</u>	<u>25,815</u>
	5,034,551	4,815,080
Less: Accumulated depreciation	<u>(2,573,068)</u>	<u>(2,439,332)</u>
Net Fixed Assets	<u>2,461,483</u>	<u>2,375,748</u>
Other Assets		
Deposits	<u>-</u>	<u>2,430</u>
TOTAL ASSETS	<u>\$ 3,393,865</u>	<u>\$ 3,249,551</u>

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

EXHIBIT I
(Continued)

OUTPATIENT MEDICAL CENTERS, INC.
Statement of Financial Position
January 31, 2011
(With Summarized Financial Information for 2010)

<u>LIABILITIES AND NET ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Liabilities:		
Accounts payable	\$ 27,375	\$ 49,342
Other payroll deductions payable	5,914	4,538
Salaries payable	89,609	83,337
Accrued annual leave	80,920	93,343
Refundable advance (Note 14)	371,613	371,613
Notes payable, current portion	<u>64,454</u>	<u>59,515</u>
Total Current Liabilities:	<u>639,885</u>	<u>661,688</u>
Long-Term Liabilities		
Notes payable (Note 12)	1,232,174	1,291,656
Less: current portion	<u>(64,454)</u>	<u>(59,515)</u>
Total Long-Term Liabilities	<u>1,167,720</u>	<u>1,232,141</u>
Total Liabilities	<u>1,807,605</u>	<u>1,893,829</u>
Net Assets:		
Unrestricted		
Undesignated (operating)	(33,858)	(117,690)
Board designated reserve	252,338	250,848
Fixed assets	<u>1,367,780</u>	<u>1,222,564</u>
Total Net Assets	<u>1,586,260</u>	<u>1,355,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,393,865</u>	<u>\$ 3,249,551</u>

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

OUTPATIENT MEDICAL CENTERS, INC.
Statement of Activities
For the Year Ended January 31, 2011
(With Summarized Financial Information for 2010)

	CURRENT UNRESTRICTED			
	Operations	Fixed Assets	2011	2010
SUPPORT AND REVENUES (Note 2)				
Support:				
Grants and contracts	\$ 2,461,346	-	\$ 2,461,346	\$ 2,768,783
Total Support	<u>2,461,346</u>	<u>-</u>	<u>2,461,346</u>	<u>2,768,783</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$1,454,132	2,029,103	-	2,029,103	1,958,418
Fundraising income	146,321	-	146,321	173,479
Interest income	1,636	-	1,636	1,059
Other income	17,625	-	17,625	4,941
Total Revenue	<u>2,194,685</u>	<u>-</u>	<u>2,194,685</u>	<u>2,137,897</u>
TOTAL SUPPORT AND REVENUES	<u>4,656,031</u>	<u>-</u>	<u>4,656,031</u>	<u>4,906,680</u>
EXPENSES				
Program Services				
Health care services	2,220,456	-	2,220,456	2,336,296
Community services	104,081	-	104,081	103,271
Total Program Services	<u>2,324,537</u>	<u>-</u>	<u>2,324,537</u>	<u>2,439,567</u>
Supporting Services				
Management and general	1,885,130	133,736	2,018,866	2,114,050
Fundraising	79,660	-	79,660	75,347
Total Supporting Services	<u>1,964,790</u>	<u>133,736</u>	<u>2,098,526</u>	<u>2,189,397</u>
TOTAL EXPENSES	<u>4,289,327</u>	<u>133,736</u>	<u>4,423,063</u>	<u>4,628,964</u>
Change in Net Assets	<u>366,704</u>	<u>(133,736)</u>	<u>232,968</u>	<u>277,716</u>
Net Assets, Beginning of Year	133,158	1,222,564	1,355,722	1,078,006
Prior period adjustment	(2,430)	-	(2,430)	-
Net Assets, as restated	<u>130,728</u>	<u>1,222,564</u>	<u>1,353,292</u>	<u>1,078,006</u>
Other changes in net assets				
Principal reduction in notes payable	(59,481)	59,481	-	-
Acquisition of fixed assets	(219,471)	219,471	-	-
	<u>(278,952)</u>	<u>278,952</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 218,480</u>	<u>1,367,780</u>	<u>\$ 1,586,260</u>	<u>\$ 1,355,722</u>

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

OUTPATIENT MEDICAL CENTERS, INC.
Statement of Cash Flows
For the Year Ended January 31, 2011
(With Summarized Financial Information for 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS USED FOR OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 232,968	\$ 277,716
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	133,736	143,728
Prior period adjustment	(2,430)	-
Decrease (increase) in:		
Patient care receivables	16,885	341,084
Grants and contracts receivable	(705)	7,419
Accounts receivable	-	6,944
Utility deposits	2,430	-
Increase (decrease) in:		
Accounts payable	(21,967)	(19,216)
Accrued salaries payable	6,272	(18,256)
Other payroll deductions payable	1,375	166
Accrued annual leave	(12,423)	(30,767)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>356,141</u>	<u>708,818</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(219,471)	(32,399)
Purchase of investments	-	(91,000)
NET CASH FROM INVESTING ACTIVITIES	<u>(219,471)</u>	<u>(123,399)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in notes payable	(59,481)	(57,432)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(59,481)</u>	<u>(57,432)</u>
NET INCREASE (DECREASE) IN CASH	77,189	527,987
CASH, BEGINNING OF YEAR	<u>617,625</u>	<u>89,638</u>
CASH, END OF YEAR	<u>\$ 694,814</u>	<u>\$ 617,625</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest expense	<u>\$ 101,189</u>	<u>\$ 105,673</u>

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

OUTPATIENT MEDICAL CENTERS, INC.
Schedule of Functional Expenses
For the Year Ended January 31, 2011

	Health Care Services	Community Services - WIC	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 1,535,576	75,278	1,610,854	844,226	9,500	\$ 2,464,580
Fringe benefits	190,387	6,463	196,850	234,019	765	431,634
Travel	11,161	211	11,372	37,285	-	48,657
Supplies	116,230	2,844	119,074	70,122	1,402	190,598
Equipment rental	6,319	2,198	8,517	34,451	-	42,968
Contractual	241,033	16,204	257,237	58,304	-	315,541
Equipment expense	14,408	62	14,470	4,840	-	19,310
Legal and accounting	-	-	-	21,098	-	21,098
Dues and subscriptions	11,711	-	11,711	38,597	225	50,533
Utilities	-	-	-	105,433	-	105,433
Repairs and maintenance	7,496	-	7,496	85,812	-	93,308
Insurance	-	-	-	23,459	-	23,459
Staff recruitment	63,262	-	63,262	385	-	63,647
Advertisement	-	-	-	24,357	-	24,357
Security	-	-	-	1,080	-	1,080
Continuing education	7,908	285	8,193	5,032	-	13,225
Communications	8,213	462	8,675	101,683	-	110,358
Space cost	-	-	-	60,170	67,750	127,920
Interest	-	-	-	101,189	-	101,189
Bank charges	-	24	24	6,210	-	6,234
Food and beverage	1,138	-	1,138	11,402	-	12,540
Board expenses	-	-	-	7,807	-	7,807
Property taxes	-	-	-	7,187	-	7,187
Other	5,614	50	5,664	982	18	6,664
Total expenses before depreciation	2,220,456	104,081	2,324,537	1,885,130	79,660	4,289,327
Depreciation	-	-	-	133,736	-	133,736
Total Expenses	\$ 2,220,456	104,081	2,324,537	2,018,866	79,660	\$ 4,423,063

The accompanying notes are an integral part of these financial statements

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2011

NOTE 1 - ABOUT THE ORGANIZATION

Outpatient Medical Centers, Inc. (OPMC), a non-profit corporation, was incorporated in the State of Louisiana as of December 1997. The primary purpose of the Corporation is to provide outpatient health care in a medically underserved area to patients who otherwise would have limited access to health care. The Corporation is supported through a grant from Public Health Service, a component of the U. S. Department of Health and Human Services.

The fiscal year of OPMC is February 1 to January 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Outpatient Medical Centers, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the 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.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - 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 Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification 958 (formerly SFAS No. 116), Accounting for Contributions Received and Contributions Made, 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 Centers.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 40 years.
- The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.
- I. 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - OPMC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. 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.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.
- M. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2011

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 694,814	\$ 694,814
Financial liabilities:	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term notes payable	\$1,232,174	\$1,232,174

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in six (6) financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At January 31, 2011, the Organization had an uninsured cash balance of \$205,559.

NOTE 5 - PATIENT RECEIVABLES

The amount of net patient care receivable at January 31, 2011 was \$135,082. Management feels that the actual collectability of the accounts receivable from patients will be realized in the amount as shown in the statement of financial position.

NOTE 6 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation carried in the general property fund.

<u>Assets</u>	
Land	\$ 106,500
Buildings and Improvements	3,289,128
Construction In Progress	253,159
Furniture and Equipment	1,359,949
Vehicles	<u>25,815</u>
Total Property and Equipment	5,034,551
Less: Accumulated Depreciation	<u>(2,573,068)</u>
Net Property and Equipment	<u>\$ 2,461,483</u>

Depreciation expense for the year ended January 31, 2011 totaled \$133,736.

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2011

NOTE 7 - CORPORATE INCOME TAXES

The Organization is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Louisiana income taxes. Therefore, no provision has been made for Federal or Louisiana corporate income taxes in the accompanying financial statements.

NOTE 8 - RETIREMENT PLAN

The Center has a Section 403(b) plan for all eligible employees. To be eligible, an employee must be employed with the Corporation for at least one year and must be at least eighteen years of age. For the year ended January 31, 2011, the plan was properly funded. Retirement expense recognized was \$57,988 for the year ended January 31, 2011.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at January 31, 2011 in the amount of \$80,920 is included in the financial statements. See Note 2.J. above.

NOTE 10 - SUMMARY OF FUNDING AND SUPPORT

Outpatient Medical Centers' operations are funded through restricted grants from HHS. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

<u>Source</u>	<u>Grant Number</u>	<u>Period</u>	<u>Amount</u>
U.S. Department of Health and Human Services	H80CS00513-09-01	2/1/10- 1/31/11	\$ 2,121,102
U.S. Department of Health and Human Services	N/A	N/A	127,614
Louisiana Department of Health and Hospitals	N/A	N/A	75,000
Louisiana State Department of Health (WIC Grant)	678035/678039	7/1/09 - 6/30/12	<u>137,630</u>
TOTALS			<u>\$ 2,461,346</u>

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2011

NOTE 11 - ACCOUNTS RECEIVABLE, GRANTS AND CONTRACTS

Grants and contracts receivable at January 31, 2011 are due from the following:
State of Louisiana Department of Health (WIC Program) \$ 11,486

NOTE 12 - NOTES PAYABLE

Mortgage notes payable consist of the following at January 31, 2011:

Mortgage loan payable to Hope Community Credit Union; 8% interest; due in monthly installments of \$13,389 which includes principal and interest; matures December, 2022; secured by real estate. \$ 1,232,174

Maturities of long-term debt are as follows:

2012	\$	64,454
2013		69,804
2014		75,598
2015		81,872
2016		88,668
Thereafter		<u>851,778</u>
Totals	\$	<u>1,232,174</u>

NOTE 13 - LITIGATION

Outpatient Medical Centers, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers and other insurance coverage in amounts the Organization believes to be adequate. The Organization requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, Outpatient Medical Centers, Inc. is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Organization is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of Outpatient Medical Centers, Inc.

NOTE 14 - REFUNDABLE ADVANCES

The Center records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. The activity in the refundable advance account is reported as follows:

Refundable advances, beginning of year	\$	371,613
Grant awards received (HHS - Health Centers Cluster)		2,121,102
Grant expenditures		<u>(2,121,102)</u>
Refundable advances, end of year	\$	<u>371,613</u>

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2011

NOTE 15 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 44% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 16 - INVESTMENTS

On August 14, 2009, the Organization acquired an investment in Louisiana Partnership for Choice and Access, LLC (LPCA, LLC) by purchasing 91 Company Units for \$91,000. LPCA, LLC is a for profit entity that owns 49% of Louisiana Healthcare Connection (a joint venture with Centene Corporation). Louisiana Healthcare Connection was established as a provider services network to assist the State of Louisiana in capping the cost of service delivery, maintain patient base and create a pool of revenue from which to cover the cost of uncompensated care patients receiving healthcare at Federally Qualified Health Centers.

NOTE 17 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources.

Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 18 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended January 31, 2010, from which the summarized information was derived.

NOTE 19 - UNRESTRICTED NET ASSETS (BOARD DESIGNATED RESERVE)

The Board of Directors established a reserve account to cover gross expenses for future obligations. The funds for this reserve account are maintained in a separate bank account and can only be utilized by board approval.

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2011

NOTE 20 - ADVERTISING

Outpatient Medical Centers, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending January 31, 2011, advertising cost totaled \$24,357.

NOTE 21 - LEASES

Future minimum lease payments under noncancelable operating leases with initial or remaining terms in excess of one year at January 31, 2011, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2012	\$ 48,000
2013	48,000
2014	48,000
2015	48,000
2016	48,000
Thereafter	<u>224,000</u>
Total minimum lease payments	<u>\$ 368,000</u>

NOTE 22 - CONSTRUCTION AND COMMITMENTS

The Organization has under construction the following projects:

<u>Description of Project</u>	<u>Estimated Cost of Project</u>	<u>Balance 1/31/10</u>	<u>Additions</u>	<u>Balance 1/31/11</u>	<u>Estimated Cost to Complete</u>
Tallulah Clinic Renovations	\$ 500,000	-	30,147	30,147	\$ 469,853
New Electronic Health Records System	<u>283,681</u>	<u>33,688</u>	<u>189,324</u>	<u>223,012</u>	<u>60,669</u>
TOTALS	<u>\$ 783,681</u>	<u>33,688</u>	<u>219,471</u>	<u>253,159</u>	<u>\$ 530,522</u>

NOTE 23 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 15, 2011, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

SCHEDULE A

OUTPATIENT MEDICAL CENTERS, INC.
 Combining Schedule of Support and Revenues
 For the Year Ended January 31, 2011

	HHS Section 330 Funds	Louisiana Department of Health and Hospitals	WIC Program	ARRA Capital Improvement Program	Total
SUPPORT AND REVENUES:					
Support:					
Grants and contracts	\$ 2,121,102	75,000	137,630	127,614	\$ 2,461,346
Total Support	<u>2,121,102</u>	<u>75,000</u>	<u>137,630</u>	<u>127,614</u>	<u>2,461,346</u>
Revenue:					
Health care services, net of charity, bad debt and adjustments of \$1,454,132	2,029,103	-	-	-	2,029,103
Fundraising income	146,321	-	-	-	146,321
Interest income	1,636	-	-	-	1,636
Other income	<u>17,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,625</u>
Total Revenue	<u>2,194,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,194,685</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 4,315,787</u>	<u>75,000</u>	<u>137,630</u>	<u>127,614</u>	<u>\$ 4,656,031</u>

SCHEDULE B

OUTPATIENT MEDICAL CENTERS, INC.
 Schedule of Health Care Services Expenses
 For the Year Ended January 31, 2011

<u>EXPENSES</u>	<u>HHS</u> <u>Section 330</u>
Personnel	\$ 1,535,576
Fringe benefits	190,387
Travel	11,161
Supplies	116,230
Equipment rental	6,319
Contractual	241,033
Equipment expense	14,408
Dues and subscriptions	11,711
Repairs and maintenance	7,496
Staff recruitment	63,262
Continuing education	7,908
Communications	8,213
Food	1,138
Other	<u>5,614</u>
Total Expenses	<u>\$ 2,220,456</u>

SCHEDULE C

OUTPATIENT MEDICAL CENTERS, INC.
 Schedule of Community Services Expenses
 For the Year Ended January 31, 2011

<u>EXPENSES</u>	<u>WIC</u>
Personnel	\$ 75,278
Fringe benefits	6,463
Travel	211
Supplies	2,844
Equipment rental	2,198
Contractual	16,204
Equipment expense	62
Continuing education	285
Communications	462
Bank and finance charges	24
Other	<u>50</u>
Total Expenses	<u>\$ 104,081</u>

SCHEDULE D

OUTPATIENT MEDICAL CENTERS, INC.
 Schedule of Management and General Expenses
 For the Year Ended January 31, 2011

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 844,226
Fringe benefits	234,019
Travel	37,285
Supplies	70,122
Equipment rental	34,451
Contractual	58,304
Equipment expense	4,840
Legal and accounting	21,098
Dues and subscriptions	38,597
Utilities	105,433
Repairs and maintenance	85,812
Insurance	23,459
Staff recruitment	385
Advertisement	24,357
Security	1,080
Continuing education	5,032
Communications	101,683
Space cost	60,170
Interest	101,189
Bank and finance charges	6,210
Food	11,402
Board expenses	7,807
Property taxes	7,187
Other	<u>982</u>
Total Expenses	<u>\$ 1,885,130</u>

SCHEDULE E

OUTPATIENT MEDICAL CENTERS, INC.
Schedule of Fundraising Expenses (Bingo)
For the Year Ended January 31, 2011

EXPENSES

Personnel	\$	9,500
Fringe benefits		765
Supplies		1,402
Dues and subscriptions		225
Space cost		67,750
Other		<u>18</u>
Total Expenses	\$	<u>79,660</u>

OUTPATIENT MEDICAL CENTERS, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2011

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration Bureau of Primary Health Care			
Direct Programs:			
Health Centers Cluster	93.224	H80CS00513-09-01	\$ <u>2,121,102</u>
ARRA - Capital Improvement Program	93.703	C81CS14117RP	<u>127,614</u>
Pass through State of Louisiana Department of Health and Hospitals:			
Social Service Block Grant	93.667	691834	<u>75,000</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,323,716</u>
<u>U. S. Department of Agriculture</u>			
Pass Through Louisiana State Dept. of Health			
Special Supplement Food Program for Women, Infants and Children	10.577	678035/678039	<u>137,630</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>2,461,346</u>

OUTPATIENT MEDICAL CENTERS, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2011

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by Outpatient Medical Centers, Inc., for the year ended January 31, 2011, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between Outpatient Medical Centers, Inc., it is not intended to and does not present either the financial position or the changes in net assets of Outpatient Medical Centers, Inc.



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

**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
Outpatient Medical Centers, Inc.
Natchitoches, Louisiana

We have audited the financial statements of Outpatient Medical Centers, Inc. (a nonprofit organization) as of and for the year ended January 31, 2011, and have issued our report thereon dated July 15, 2011. 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 Outpatient Medical Centers, Inc.'s 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 Outpatient Medical Centers, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Outpatient Medical Centers, 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 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 finance committee, management, Board of Directors, and others within the organization and the 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.

Bank-Tinley, White & Co.
July 15, 2011



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

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 of
Outpatient Medical Centers, Inc.
Natchitoches, Louisiana

Compliance

We have audited Outpatient Medical Centers, Inc.'s compliance of with the types of compliance requirements described in the *Office of Management and Budget OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2011. Outpatient Medical Centers, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Outpatient Medical Centers, Inc.'s management. Our responsibility is to express an opinion on Outpatient 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 Outpatient Medical Centers, Inc.'s 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 on Outpatient Medical Centers, Inc.'s compliance with those requirements.

In our opinion, Outpatient Medical Centers, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2011.

Internal Control Over Compliance

Management of Outpatient Medical Centers, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Outpatient Medical Centers, Inc.'s internal control over compliance with 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 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 the Outpatient Medical Centers, 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 a 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 finance committee, management, Board of Directors, and others within the organization and the 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.

Bank, Finley, White & Co.

July 15, 2011

OUTPATIENT MEDICAL CENTERS, INC.
Summary Schedule of Prior Audit Findings
Year Ended January 31, 2011

There were no prior year audit findings.

OUTPATIENT MEDICAL CENTERS, INC.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2011

Section 1: Summary of Auditor's Results

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the basic financial statements. | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | None |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None |

Federal Awards:

- | | | |
|----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | None |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | None |
| 7. | Federal programs identified as major programs: | |
| | a. CFDA #93.224, Health Centers Cluster | |
| 8. | The dollar threshold used to distinguish between type A and Type B programs: | \$300,000 |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2 - Findings - Financial Statements Audit

NONE

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE