

**Tensas Community Health Center, Inc.**  
**St. Joseph, Louisiana**  
**April 30, 2016**

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# HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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## Independent Auditor's Report

To the Board of Directors  
Tensas Community Health Center, Inc.  
St. Joseph, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Tensas Community Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of April 30, 2016, and the related statements of activities, functional expenses, and cash flows for the seventeen months then ended, and the related notes to the financial statements.

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

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

### *Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion 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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tensas Community Health Center, Inc. as of April 30, 2016, and the changes in its net assets and its cash flows for the seventeen months then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and schedule of compensation, benefits, and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of Tensas Community Health Center, Inc.'s 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tensas Community Health Center, Inc.'s internal control over financial reporting and compliance.



October 19, 2016

**Tensas Community Health Center, Inc.**  
**Statement of Financial Position**  
**April 30, 2016**

**Assets**

|                                    |                     |
|------------------------------------|---------------------|
| <b>Current Assets</b>              |                     |
| Cash and cash equivalents          | \$ 133,922          |
| Patient receivables, net           | 281,815             |
| Prepaid expenses                   | 6,226               |
| Grants and other receivables       | <u>18,996</u>       |
| Total current assets               | 440,959             |
| <b>Property and Equipment, net</b> | <u>908,367</u>      |
| Total assets                       | <u>\$ 1,349,326</u> |

**Liabilities and Net Assets**

|   |                     |
|---|---------------------|
| <b>Current Liabilities</b>                  |                     |
| Accounts payable                            | \$ 56,367           |
| Current portion of note payable             | 16,365              |
| Current portion of capital leases payable   | 53,655              |
| Accrued liabilities                         | <u>60,576</u>       |
| Total current liabilities                   | <u>186,963</u>      |
| <b>Long-Term Liabilities</b>                |                     |
| Long-term portion of note payable           | 23,228              |
| Long-term portion of capital leases payable | <u>85,845</u>       |
| Total long-term liabilities                 | <u>109,073</u>      |
| <b>Net Assets, unrestricted</b>             | <u>1,053,290</u>    |
| Total liabilities and net assets            | <u>\$ 1,349,326</u> |

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

**Tensas Community Health Center, Inc.**  
**Statement of Activities**  
**Seventeen Months Ended April 30, 2016**

|  | <b>Unrestricted</b> |
|--|---------------------|
| <b>Revenue and Other Support</b>       |                     |
| Grants and contracts                   | \$ 1,346,025        |
| Net patient service revenue            | 1,161,187           |
| In-kind contributions                  | 126,000             |
| Miscellaneous revenue                  | 41,742              |
| Total revenue and other support        | 2,674,954           |
| <b>Expenses</b>                        |                     |
| Program                                | 1,931,871           |
| Management and general                 | 448,435             |
| Total expenses                         | 2,380,306           |
| <b>Change in Net Assets</b>            | 294,648             |
| <b>Net Assets, beginning of period</b> | 758,642             |
| <b>Net Assets, end of period</b>       | \$ 1,053,290        |

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

**Tensas Community Health Center, Inc.**  
**Statement of Functional Expenses**  
**Seventeen Months Ended April 30, 2016**

| <b>Expenses</b>                   | <b>Program</b>      | <b>Management and</b> | <b>Total</b>        |
|-----------------------------------|---------------------|-----------------------|---------------------|
| Salaries and wages                | \$ 916,559          | \$ 163,008            | \$ 1,079,567        |
| Payroll taxes and benefits        | 167,287             | 44,469                | 211,756             |
| Professional services             | 247,575             | 17,514                | 265,089             |
| Ancillary services                | 5,249               | -                     | 5,249               |
| Supplies                          | 94,686              | 38,782                | 133,468             |
| Insurance                         | -                   | 14,562                | 14,562              |
| Recruitment/advertising           | -                   | 5,020                 | 5,020               |
| Travel, conferences, and meetings | 12,020              | 8,015                 | 20,035              |
| Administrative                    | -                   | 94,596                | 94,596              |
| Bad debts                         | 315,940             | -                     | 315,940             |
| Interest                          | -                   | 11,670                | 11,670              |
| Depreciation                      | 73,015              | 24,339                | 97,354              |
| Rent                              | 99,540              | 26,460                | 126,000             |
| <br>                              |                     |                       |                     |
| Total expenses                    | <u>\$ 1,931,871</u> | <u>\$ 448,435</u>     | <u>\$ 2,380,306</u> |

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

**Tensas Community Health Center, Inc.**  
**Statement of Cash Flows**  
**Seventeen Months Ended April 30, 2016**

|  |                          |
|--|--------------------------|
| <b>Cash Flows From Operating Activities</b>  | <b>\$ 294,648</b>        |
| Change in net assets   | 294,648                  |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                          |
| Depreciation   | 97,354                   |
| Bad debts  | 315,940                  |
| (Increase) Decrease in assets:   |                          |
| Patient receivables  | (522,184)                |
| Prepaid expenses   | (3,863)                  |
| Grants and other receivables   | 46,149                   |
| Increase (Decrease) in liabilities:  |                          |
| Accounts payable   | (110,549)                |
| Accrued liabilities  | <u>11,933</u>            |
| Net cash provided by operating activities  | <u>129,428</u>           |
| <b>Cash Flows From Investing Activities</b>  |                          |
| Purchase of property and equipment   | <u>(115,637)</u>         |
| Net cash used in investing activities  | <u>(115,637)</u>         |
| <b>Cash Flows From Financing Activities</b>  |                          |
| Change in managed overdraft  | (6,402)                  |
| Proceeds from capital leases   | 115,637                  |
| Payments on capital leases payable   | (28,697)                 |
| Proceeds from note payable   | 50,000                   |
| Payments on note payable   | <u>(10,407)</u>          |
| Net cash provided by financing activities  | <u>120,131</u>           |
| <b>Net Change in Cash and Cash Equivalents</b>   | <b>133,922</b>           |
| <b>Cash and Cash Equivalents, beginning of year</b>  | <u>-</u>                 |
| <b>Cash and Cash Equivalents, end of year</b>  | <b><u>\$ 133,922</u></b> |
| <b>Supplemental Disclosure of Cash Flow Information</b>                                    |                          |
| Cash paid during the year for interest   | <u>\$ 11,670</u>         |

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



**Tensas Community Health Center, Inc.**  
**Notes to Financial Statements**  
**April 30, 2016**

**Note 1-Nature of Operations**

Tensas Community Health Center, Inc. (the "Center") was incorporated September 19, 2003 to increase access to high quality comprehensive health care services, regardless of ability to pay, for the under-served population of Tensas Parish, Louisiana and the surrounding areas. The Center primarily earns revenue by providing medical and dental services to its patients and through various federal and state grants. The Center changed their fiscal year end from November 30 to April 30. Accordingly, the accompanying financial statements are presented over a seventeen month period.

**Note 2-Summary of Significant Accounting Policies**

**A. Basis of Accounting and Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Center reports 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. Unrestricted net assets include those net assets whose use by the Center is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Center has been limited by donors to later periods of time or other specific dates, or for specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Center's use of the asset. At April 30, 2016, the Center had no temporarily or permanently restricted net assets.

**B. 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 the estimates that were used. The most significant item on the statement of financial position involving a greater degree of accounting estimates subject to changes in the near future is the assessment of the allowance for doubtful accounts. As additional information becomes available (or actual amounts are determinable), the recorded estimates are revised and reflected in operating results in the period they are determined.

**C. Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Tensas Community Health Center, Inc.**  
**Notes to Financial Statements**  
**April 30, 2016**

**Note 2-Summary of Significant Accounting Policies (Continued)**

**D. Patient Receivables**

Patient receivables are carried at the original billed amount less contractual adjustments and the allowance for doubtful accounts. The allowance is based on management's estimates, historical experiences, and a review of all outstanding amounts on an ongoing basis. Patient receivables are written off when deemed uncollectible. Recoveries, if any, are recorded when received. As of April 30, 2016, management established an allowance of \$470,513.

**E. Property and Equipment**

Property and equipment are stated at cost. Donated property and equipment are carried at approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, which are 39 years for the dental building, 5 years for computer equipment and vehicles, and 3 to 7 years for medical equipment.

Expenditures for major repairs and improvements that extend the useful lives of property and equipment are capitalized at cost. Expenditures for maintenance and minor repairs are charged to expense as incurred. Amortization of assets under capital lease is included in total depreciation.

**F. Grant Revenue**

Grant revenue is recorded as related expenses are incurred.

**G. Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are estimated and accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Center has a sliding fee plan for patients whose income levels fall within the sliding fee guidelines and who do not have coverage with a third-party payer.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**H. Income Tax Status**

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an entity other than a private foundation within the meaning of Section 509(a). Accordingly, no provision has been made for income taxes.

**Tensas Community Health Center, Inc.**  
**Notes to Financial Statements**  
**April 30, 2016**

**Note 2-Summary of Significant Accounting Policies (Continued)**

**H. Income Tax Status (Continued)**

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If the Center was to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors.

**I. Functional Expenses**

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

**Note 3-Property and Equipment**

Property and equipment are comprised of the following as of April 30, 2016:

|                                |                   |
|--------------------------------|-------------------|
| Dental building                | \$ 781,945        |
| Computer equipment             | 85,230            |
| Medical equipment              | 192,461           |
| Vehicles                       | 18,485            |
| Leased equipment               | 174,037           |
| Land                           | <u>75,958</u>     |
|                                | 1,328,116         |
| Less: accumulated depreciation | <u>419,749</u>    |
|                                | <u>\$ 908,367</u> |

Included in depreciation expense is amortization for assets under capital lease amounting to \$32,943 for the seventeen months ended April 30, 2016. Included in accumulated depreciation is accumulated amortization for assets under capital lease amounting to \$57,972 as of April 30, 2016.

**Note 4-Note Payable**

The Center has a note payable with a bank maturing on August 1, 2018, bearing interest at 5.50%, and collateralized by all dental equipment.

|                        |                  |
|------------------------|------------------|
| Long-term note payable | \$ 39,593        |
| Less: current portion  | <u>(16,365)</u>  |
|                        | <u>\$ 23,228</u> |

**Tensas Community Health Center, Inc.**  
**Notes to Financial Statements**  
**April 30, 2016**

**Note 4-Note Payable (Continued)**

Following are the aggregate future maturities of the note payable as of April 30, 2016:

|      |                  |
|------|------------------|
| 2017 | \$ 16,365        |
| 2018 | 17,288           |
| 2019 | 5,940            |
|      | <u>\$ 39,593</u> |

**Note 5-Capital Leases Payable**

The Center acquired dental equipment under the provisions of a long-term lease, payable to the Tensas Parish Police Jury maturing on December 1, 2021, bearing no interest, and collateralized by the equipment under the lease. \$ 47,560

The Center acquired equipment under the provisions of a long-term lease, payable to a bank maturing on June 2, 2018, bearing interest at 9.30%, and collateralized by the equipment under the lease. 62,633

The Center acquired equipment under the provisions of a long-term lease, payable to a finance company maturing on June 2, 2020, bearing interest at 5.86%, and collateralized by the equipment under the lease. 29,307

|                          |                  |
|--------------------------|------------------|
| Less: current portion    | (53,655)         |
| Long-term capital leases | <u>\$ 85,845</u> |

Following are the aggregate future maturities of the capital leases as of April 30, 2016:

|            |                   |
|------------|-------------------|
| 2017       | \$ 53,655         |
| 2018       | 42,648            |
| 2019       | 18,738            |
| 2020       | 12,779            |
| 2021       | 5,840             |
| Thereafter | 5,840             |
|            | <u>\$ 139,500</u> |

**Note 6-Economic Dependency**

The Center depends significantly on a federal grant to carry out its program activities. If significant budget cuts are enacted at the federal level, the amount of funds the Center receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Center will receive in the next fiscal year.

**Tensas Community Health Center, Inc.**  
**Notes to Financial Statements**  
**April 30, 2016**

**Note 7-Contingencies**

The Center participates in a federal grant program which is governed by various rules and regulations. Costs charged to the grant program are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs disallowed would be recognized in the period agreed upon by the grantor agency and the Center.

The Center is involved in a claim incidental to its business for which a determination cannot be made of either the likelihood or the amount of potential losses, if any.

**Note 8-Concentrations of Credit Risk**

The Center grants credit without collateral to its patients, most of whom are local residents insured under third-party payer agreements. The mix of receivables (net of allowances) from patients and third-party payers at April 30, 2016 is as follows:

|                         |     |
|-------------------------|-----|
| Medicaid                | 32% |
| Medicare                | 11% |
| Sliding fee/private pay | 34% |
| Commercial insurance    | 23% |

**Note 9-Donated Facilities**

The Tensas Parish Police Jury provides the Center, on an in-kind basis, office space which houses the administrative offices as well as the patient care facilities located in St. Joseph, Louisiana. The estimated value of these facilities that has been recognized in the statement of activities as in-kind contributions and rent expense was \$126,000 for the seventeen months ended April 30, 2016.

**Note 10-Subsequent Events**

The Center evaluated all subsequent events through October 19, 2016, the date the financial statements were available to be issued. As a result, the Center noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

**Supplementary Information**

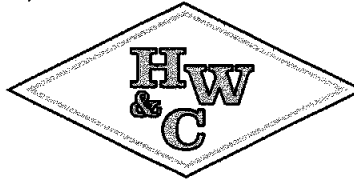
**Tensas Community Health Center, Inc.**  
**Schedule of Compensation, Benefits, and Other Payments to**  
**Agency Head or Chief Executive Officer**  
**Seventeen Months Ended April 30, 2016**

**Agency Head Name: Jacqueline Schauf, CEO**

|  |            |
|--|------------|
| Salary                                 | \$ 119,470 |
| Benefits - insurance                   | 14,235     |
| Benefits - retirement                  | -          |
| Car allowance                          | -          |
| Vehicle provided by agency             | -          |
| Per diem                               | -          |
| Reimbursements                         | 2,270      |
| Travel                                 | 11,308     |
| Registration fees                      | 340        |
| Conference travel                      | 210        |
| Continuing professional education fees | 100        |
| Housing                                | -          |
| Unvouchered expenses                   | -          |
| Special meals                          | -          |

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

# HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



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## Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors  
Tensas Community Health Center, Inc.  
St. Joseph, 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 Tensas Community Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of April 30, 2016, and the related statements of activities, functional expenses, and cash flows for the seventeen months then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2016.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tensas Community Health Center, Inc.'s financial statements are free from 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*.



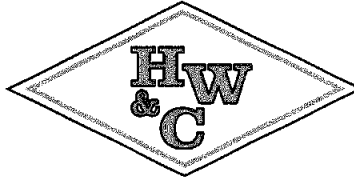
**Purpose of this Report**

The purpose of this report is 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.

*Hawthorn, Weymouth & Powell, LLP*

October 19, 2016

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



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**Independent Auditor's Report on Compliance for Each Major Program  
And on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
Tensas Community Health Center, Inc.  
St. Joseph, Louisiana

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

We have audited Tensas Community Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tensas Community Health Center, Inc.'s major federal programs for the seventeen months ended April 30, 2016. Tensas Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Tensas Community Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Tensas Community Health Center, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Tensas Community Health Center, Inc.'s compliance.

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

In our opinion, Tensas Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the seventeen months ended April 30, 2016.

## Report on Internal Control Over Compliance

Management of Tensas Community Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tensas Community Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Tensas Community Health Center, Inc.'s internal control over compliance.

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

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

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

*Hawthorn, Wainwright & Carroll, LLP*

October 19, 2016

**Tensas Community Health Center, Inc.  
Schedule of Expenditures of Federal Awards  
Seventeen Months Ended April 30, 2016**

| <u>Federal Grantor/Pass Through Grantor/<br/>Program Title or Cluster Title</u>                   | <u>CFDA</u> | <u>Federal<br/>Expenditures</u> |
|---|-------------|---------------------------------|
| <b>U.S. Department of Health and Human Services</b>   |             |                                 |
| Health Centers Cluster*   |             |                                 |
| Consolidated Health Centers   | 93.224      | \$ 180,239                      |
| Affordable Care Act (ACA) Grants for New and Expanded<br>Services Under the Health Center Program | 93.527      | <u>1,165,786</u>                |
| Total health centers cluster  |             | <u>1,346,025</u>                |
| Total expenditures of federal awards  |             | <u>\$ 1,346,025</u>             |

\*Denotes major program

The accompanying notes are an integral part of this schedule.

**Tensas Community Health Center, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Seventeen Months Ended April 30, 2016**

**Note 1-Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tensas Community Health Center, Inc. under programs of the federal government for the seventeen months ended April 30, 2016. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

**Note 2-Summary of Significant Accounting Principles**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures from December 1, 2014 to December 26, 2014 are recognized following cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, and from December 27, 2014 to April 30, 2016 following cost principles in accordance with the provisions of 2 CFR 200, Subpart E - Cost Principles, for any awards made after December 26, 2014, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3-Subrecipients**

The Center did not pass-through any of its federal awards to a subrecipient during the seventeen months ended April 30, 2016.

**Note 4-Non-cash Assistance**

No federal awards were expended in the form of non-cash assistance during the seventeen months ended April 30, 2016.

**Tensas Community Health Center, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Seventeen Months Ended April 30, 2016**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting

\* Material weakness(es) identified:

Yes  No

\* Significant deficiencies identified that are not considered to be material weaknesses:

Yes  No

Noncompliance material to financial statements noted:

Yes  No

Federal Awards

Internal control over major programs

\* Material weakness(es) identified:

Yes  No

\* Significant deficiencies identified that are not considered to be material weaknesses:

Yes  None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133:

Yes  No

Identification of major programs:

CFDA Number  
93.224/93.527

Federal Program or Cluster  
Health Centers Cluster

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

Auditee qualified as low-risk auditee:

Yes  No

**Tensas Community Health Center, Inc.  
Schedule of Findings and Questioned Costs  
Seventeen Months Ended April 30, 2016**

**Section II - Financial Statement Audit Findings**

None.

**Section III - Federal Award Findings**

None.

**Tensas Community Health Center, Inc.**  
**Schedule of Prior Year Findings and Questioned Costs**  
**Seventeen Months Ended April 30, 2016**

**Section II - Financial Statement Audit Findings**

**Noncompliance with State Laws and Regulations**

*2014-001: Filing of Report with Louisiana Legislative Auditor*

**Condition:**

Financial statements were not timely filed with the Louisiana Legislative Auditor. This is a repeat finding from the prior year.

**Criteria:**

LSA-RS 24:513 (5)(a) requires the engagement to be completed within six months of the close of the entity's fiscal year.

**Cause:**

The Center was not ready for the audit in a timely manner.

**Effect:**

The Center's financial statements were not timely filed.

**Auditor's Recommendation:**

To comply with state laws and regulations, the Center should close its books sooner so the audit process can be completed prior to the deadline, or an extension should be filed with the Louisiana Legislative Auditor before May 31.

**Management's Corrective Action Plan:**

Tensas Community Health Center, Inc. will take appropriate action to ensure timely filing of the financial statements with the Louisiana Legislative Auditor.

**Status:**

Cleared in current year.

**Significant Deficiencies**

*2014-002: Cash Reconciliations*

**Condition:**

The operating cash account does not reconcile with the general ledger.

**Criteria:**

The Center should reconcile all bank accounts to the general ledger on a monthly basis, with any discrepancies being investigated and resolved in a timely manner.

**Cause:**

The bank reconciliation was not being reconciled to the general ledger.

**Effect:**

Failure to accurately reconcile cash balances could result in fraudulent transactions or errors going undetected.



**Tensas Community Health Center, Inc.**  
**Schedule of Prior Year Findings and Questioned Costs**  
**Seventeen Months Ended April 30, 2016**

**Section II - Financial Statement Audit Findings (Continued)**

**Significant Deficiencies (Continued)**

*2014-002: Cash Reconciliations (Continued)*

**Auditor's Recommendation:**

Bank accounts should be reconciled monthly, and the ending cash balance per the reconciliation should agree with the cash balance per the general ledger.

**Management's Corrective Action Plan:**

This difference occurred when prior period checks were voided improperly in the accounting system. Policies have been since implemented to assure the ending cash balance per the reconciliation will agree with the cash balance per the general ledger and will be reviewed by the CFO.

**Status:**

Cleared in current year.

*2014-003: Allowance for Doubtful Accounts*

**Condition:**

Management is not reviewing the allowance for doubtful accounts on a monthly basis.

**Criteria:**

Management should review the allowance for doubtful accounts on a monthly basis to determine its adequacy.

**Cause:**

Management is not reviewing the allowance for doubtful accounts.

**Effect:**

Net accounts receivable are not properly stated for interim review by the Board of Directors.

**Auditor's Recommendation:**

Management should review the allowance for doubtful accounts monthly and make necessary adjustments to reflect the balance expected to be collected from patients, third-party payers, and others.

**Management's Corrective Action Plan:**

The CEO and CFO will review the allowance for doubtful accounts monthly and make necessary adjustments to reflect the balance expected to be collected.

**Status:**

Cleared in current year.

**Section III - Federal Award Findings**

None.