Teche Action Board, Inc.
d/b/a Teche Action Clinic
Franklin, Louisiana
May 31, 2019

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HAWTHORN WAYMOUTH & CARROLL, L.L.P.
Certified Public Accountants

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Blaine M. Crochet, CPA

Independent Auditor's Report

Board of Directors
Teche Action Board, Inc.
d/b/a Teche Action Clinic
Franklin, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Teche Action Board, Inc. d/b/a Teche Action Clinic (a non-profit organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teche Action Board, Inc. d/b/a Teche Action Clinic as of May 31, 2019, and the changes 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 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of compensation, benefits, and other payments to agency head or chief executive officer, as required by the Louisiana Legislative Auditor, are presented for purposes of additional analysis and are not required parts 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 28, 2019, on our consideration of Teche Action Board, Inc. d/b/a Teche Action Clinic'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 solely 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 effectiveness of Teche Action Board, Inc. d/b/a Teche Action Clinic's 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 Teche Action Board, Inc. d/b/a Teche Action Clinic's internal control over financial reporting and compliance.

Hawthorn, Waymouth & Carroll, L.L.P.

October 28, 2019

Teche Action Board, Inc. d/b/a Teche Action Clinic
Statement of Financial Position
May 31, 2019

Assets

Current Assets	
Cash and cash equivalents	$ 3,447,227
Certificates of deposit	1,573,525
Investments	3,396,637
Patient accounts receivable, net	761,953
Grants receivable	460,873
Inventory	215,864
Prepaid expenses	63,809
Total current assets	9,919,888
Property, Plant and Equipment, net	13,263,349
Other Assets	3,000
Total assets	$ 23,186,237

Liabilities and Net Assets

Current Liabilities	
Current portion of note payable	$ 17,021
Current portion of leases payable	46,750
Lines of credit	2,723,054
Accounts payable	404,609
Accrued liabilities	873,906
Total current liabilities	4,065,340
Long-Term Liabilities	
Long-term portion of note payable	5,872
Total long-term liabilities	5,872
Total liabilities	4,071,212
Net Assets Without Donor Restrictions	19,115,025
Total liabilities and net assets	$ 23,186,237

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

Teche Action Board, Inc. d/b/a Teche Action Clinic
Statement of Activities
Year Ended May 31, 2019

	Without Donor Restrictions
Public Support and Revenue	
Revenue:	
Patient service revenue, net	$ 11,383,242
Provision for bad debts	(21,841)
Net patient service revenue, less provision for bad debts	11,361,401
Interest	161,493
340B pharmacy revenue	110,118
Other revenue	425,433
Gain on investments	94,438
Public support:	
Federal grants revenue	6,482,976
Other grant and contract revenue	1,096,461
Total public support and revenue	19,732,320
Expenses	
Program services	11,922,774
Management and general	6,964,137
Total expenses	18,886,911
Change in Net Assets	845,409
Net Assets, beginning of year	18,269,616
Net Assets, end of year	$ 19,115,025

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

Teche Action Board, Inc. d/b/a Teche Action Clinic
Statement of Functional Expenses
Year Ended May 31, 2019

	Program Services	Management and General	Total
Expenses			
Salaries	$ 8,083,565	$ 2,815,848	$ 10,899,413
Payroll taxes and fringe benefits	1,362,056	398,231	1,760,287
Medical contracts	165,261	188,911	354,172
Non-medical contracts	48,666	969,786	1,018,452
Supplies	1,278,416	465,507	1,743,923
Travel	208,695	164,050	372,745
Repairs and maintenance	184,112	321,941	506,053
Utilities	56,890	259,163	316,053
Telephone and postage	59,573	271,295	330,868
Dues and subscriptions	22,542	28,176	50,718
Insurance	148,390	19,557	167,947
Organizational meetings	6,923	99,512	106,435
Advertising	14,018	82,461	96,479
Rental	2,447	10,769	13,216
Other expenses	94,107	119,547	213,654
Depreciation	76,255	626,553	702,808
Lease expenses	95,181	-	95,181
Interest	15,677	122,830	138,507
Total expenses	$ 11,922,774	$ 6,964,137	$ 18,886,911

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

Teche Action Board, Inc. d/b/a Teche Action Clinic
Statement of Cash Flows
Year Ended May 31, 2019

Cash Flows from Operating Activities		
Change in net assets	$	845,409
Adjustments to reconcile change in net assets to net cash provided by operating activites		
Depreciation		702,808
Realized loss on investments		28,815
Loss on disposal of property, plant and equipment		60,467
Net appreciation in fair value of investments		(123,253)
Provision for bad debts		21,841
(Increase) Decrease in assets:		
Patient accounts receivable		(127,211)
Grants receivable		639,119
Inventory		(1,170)
Prepaid expenses		3,417
Increase (Decrease) in liabilities:		
Accounts payable		(8,635)
Accrued liabilities		(231,768)
Net cash provided by operating activities		1,809,839
Cash Flows from Investing Activities		
Purchase of property, plant and equipment		(1,460,091)
Purchase of certificate of deposit		(1,250,000)
Certificate of deposits, reinvested		(23,525)
Purchase of investments		(103,548)
Net cash used in investing activities		(2,837,164)
Cash Flows from Financing Activities		
Payments on notes payable		(320,066)
Payments on leases payable		(75,582)
Increase in line of credit, net		95,883
Net cash used in financing activities		(299,765)
Net Change in Cash and Cash Equivalents		(1,327,090)
Cash and Cash Equivalents, beginning of year		4,774,317
Cash and Cash Equivalents, end of year	$	3,447,227
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	$	138,507

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

Note 1-Nature of Activities and Significant Accounting Policies

A. Nature of Activities

Teche Action Board, Inc. (the "Organization") operates as Teche Action Clinic. The Organization was incorporated in May 1974 to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged. The Organization is a federally qualified health center (FQHC). The Organization primarily earns revenue by providing medical services to its patients and through various federal grants and state contracts.

B. 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.

Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: net assets not subject to donor stipulations.

Net assets with donor restrictions: net assets subject to donor stipulations that a) restrict their use to a specific purpose, which will be satisfied by actions of the Organization or the passage of time; or b) require that they be maintained in perpetuity by the Organization; generally, the donor of these assets permit the Organization to use all or part of the income earned.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. 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.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Note 1-Nature of Activities and Significant Accounting Policies (Continued)

E. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. For those investments where quoted market prices are unavailable, management estimates fair value based on information provided by the fund managers or the general partners. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification method. Realized and unrealized gains and losses are reported in the Organization's statement of activities.

Donated investments are recorded at their fair value at the date of receipt, which is then treated as cost. Dividend, interest, and other investment income are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions, depending on donor stipulations.

F. Patient Accounts Receivable

The Organization records patient receivables at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors.

G. Allowance for Doubtful Accounts and Bad Debts

Patient receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

H. Inventory

Inventory is comprised of pharmaceutical supplies and is stated at the lower of cost or net realizable value, determined by the FIFO method. The Organization participates in several pharmaceutical distribution programs for indigent patients. Under these programs, free prescriptions are provided to eligible patients of the Organization. These amounts are not included in the financial statements.

Note 1-Nature of Activities and Significant Accounting Policies (Continued)

I. Property, Plant, and Equipment

Property, plant and equipment are stated at cost. It is the Organization's policy to capitalize expenditures for property, plant and equipment in excess of $5,000. Depreciation of property, plant and equipment is computed principally by the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	5-35
Equipment, furniture and fixtures	3-20
Vehicles	10

J. Net Patient Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party-payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Organization 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 payor.

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.

K. Grants and Contributions

Grants are recognized as income as related expenses are incurred, and contributions are recognized as income when received.

L. Income Taxes

The Organization 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.

Management has determined there are no uncertain tax positions that would require recognition in the financial statements. If the Organization were 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 liability 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 law, regulations, and interpretations thereof, as well as other factors.

Note 1-Nature of Activities and Significant Accounting Policies (Continued)

M. Advertising

The Organization expenses the cost of advertising as the expense is incurred. For the year ended May 31, 2019, advertising expense totaled $96,479.

N. Functional Expenses

Expenses were allocated in the accompanying financial statements to program services and management and general functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Organization's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

O. Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters.

P. Liquidity Management

As of May 31, 2019, the following financial assets could be made readily available within one year of the date of the statement of financial position to meet general expenditures:

Cash and cash equivalents	$ 3,447,227
Certificates of deposit	1,573,525
Investments	3,396,637
Patient accounts receivable, net	761,953
Financial assets available to meet cash needs for general expenditures within one year	$ 9,179,342

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

Note 1-Nature of Activities and Significant Accounting Policies (Continued)

Q. New Accounting Pronouncement

The Organization has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes and liquidity. The Organization has adjusted the presentation in these financial statements accordingly.

Note 2-Certificates of Deposit

As of May 31, 2019, the Organization had 2 certificates of deposit (CDs) totaling $1,573,525. The CDs had interest rates of 2.23% and 2.25% and terms ranging from 13 months and 14 months. The CDs are carried at cost, which approximates fair value.

Note 3-Patient Accounts Receivable

Patient accounts receivable are comprised of the following as of May 31, 2019:

Medicare	$ 228,502
Medicaid	534,647
Private insurance and self-pay	591,258
	1,354,407
Less allowance for doubtful accounts	592,454
Patient accounts receivable, net	$ 761,953

Note 4-Cost Report Receivable

The Organization participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Organization participates in the Medicaid program as a federally qualified health center. Final settlements will be made upon completion of audits by program representatives.

Note 5-Property, Plant, and Equipment

Property, plant and equipment are comprised of the following as of May 31, 2019:

Building and improvements	$ 13,736,492
Furniture and equipment	2,331,554
Vehicles	512,765
Land improvements	238,979
	16,819,790
Less: accumulated depreciation and amortization	6,242,106
	10,577,684
Land	1,227,920
Construction in progress	1,457,745
Net property, plant and equipment	$ 13,263,349

Note 6-Note Payable

Financing agreement payable dated September 14, 2015, due in 60 equal monthly installments of $1,493, maturing on September 20, 2020, bearing interest at 5.90%, collateralized by medical equipment	$ 22,893
Less current portion	17,021
Long-term debt	$ 5,872

Future maturities of the note payable as of May 31 are as follows:

2020	$ 17,021
2021	5,872
	$ 22,893

Note 7-Capital Leases Payable

The Organization is the lessee of office equipment under capital leases expiring through May 2020. As of May 31, 2019, the balance owed on these capital leases totaled $46,750. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of assets under capital leases totaling $49,171 is included in depreciation expense for the year ended May 31, 2019. Accumulated amortization of assets under capital leases totaling $112,190 is included in accumulated depreciation as of May 31, 2019. The capitalized cost on these capital leases is included in furniture and equipment and totaled $218,468 as of May 31, 2019.

Minimum future lease payments for the year ended May 31, 2020 total $46,750.

Interest rates on capitalized leases vary from 2.50% to 6.61% and are imputed based on the lower of the Organization's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

Note 8-Lines of Credit

The Organization has a revolving line of credit with Whitney Bank dated March 21, 2019 with a current limit of $3,250,000. The line of credit is secured by all deposits and investments held for the Organization at Whitney Bank and bears interest of 2.0 percentage points over the London Interbank Offered Rate (LIBOR). The balance outstanding on this line of credit was $2,627,171 at May 31, 2019.

The Organization has an additional revolving line of credit with Whitney Bank dated March 21, 2019 with an available limit of $500,000. Interest accrues and is payable monthly at the 30-day ICE LIBOR rate plus 2.25% on any outstanding balance. The line of credit is secured by all deposits and investments held for the Organization at Whitney Bank. The balance outstanding on this line of credit was $95,883 at May 31, 2019.

Note 9-Accrued Vacation

The Organization allows employees to carry 40 hours of unused vacation into the following year. An employee may carry over additional vacation hours only with written permission from the executive director. The accrual is calculated based on the employee's pay rate at the end of the year. At May 31, 2019, accrued vacation totaled $488,123 and is included in accrued liabilities on the statement of financial position.

Note 10-Economic Dependency

The Organization receives a substantial portion of its total revenue and support from the federal government. During the year ended May 31, 2019, the Organization recognized $6,288,976 in grant support from the Department of Health and Human Services. This represents 32% of total revenue and support for the year ended May 31, 2019.

Note 11-Operating Leases

The Organization has lease agreements for multiple copy machines expiring through November 2022. Monthly payments range from $183 to $488 per month and have initial terms of 60 months. The Organization also has various month-to-month leases for certain machines. Lease expense on these operating leases totaled $94,713 for the year ended May 31, 2019.

Future minimum payments are as follows for the years ending May 31:

2020	$ 56,947
2021	39,921
2022	8,684
2023	1,410

Note 12-Retirement Plan

The Organization has a 401(k)-retirement plan for eligible employees. The plan provides for a mandatory 3% safe-harbor matching contribution. The Organization will also match 50% of an employee's contributions up to an additional 2%. All participating employees are fully vested immediately. To be eligible, an employee must be employed with the Organization for at least one year and must be at least eighteen years of age. Retirement expense was $156,138 for the year ended May 31, 2019.

Note 13-Fair Value Measurements

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs are inputs (other than quoted prices in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

The amortized cost and fair values measured on a recurring basis of investment securities as of May 31, 2019 are as follows:

Level 2 Observable Inputs	Amortized Cost	Fair Value
Fixed income securities	$ 3,394,316	$ 3,396,637

Note 14-Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at May 31, 2019 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded value of the note payable approximates its fair value, as interest is insignificant.

Note 15-Concentrations

The Organization maintains several bank accounts at various banks, where account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, the Organization maintains deposit balances that exceed federally insured limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

The Organization receives funds from DHHS, under Section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of non-compliance by the Organization with the terms of the grants. In addition, if the Organization terminates its DHHS grant activities, all unexpended federal funds are to be returned to DHHS.

The majority of the Organization's patients are located in South Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of May 31, 2019 was as follows:

Medicare	17%
Medicaid	39%
Other	44%
	100%

Note 16-Commitments

Commitments related to the construction of the Pierre Part Clinic and Morgan City pharmacy totaled $641,600 at May 31, 2019.

Note 17-Subsequent Events

Management of the Organization evaluated all subsequent events through October 28, 2019, which is the date the financial statements were available to be issued. As a result, the Organization noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information

Teche Action Board, Inc. d/b/a Teche Action Clinic
Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer
May 31, 2019

Agency Head Name: Dr. Gary Wiltz, Chief Executive Officer

Purpose		Amount
Salary	$	103,270
Benefits-health insurance		-
Benefits-retirement		-
Benefits-Life, ADD, LTD		-
Car allowance		-
Vehicle provided by government		-
Per diem		-
Reimbursements		-
Travel		-
Registration fees		-
Conference travel		-
Continuing professional education fees		-
Housing		-
Unvouchered expenses		-
Special meals		-

The above amount only represents compensation paid to the CEO from public funds received by the Organization.

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*

Board of Directors
Teche Action Board, Inc.
d/b/a Teche Action Clinic
Franklin, 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 Teche Action Board, Inc. d/b/a Teche Action Clinic (a nonprofit organization), which comprise the statement of financial position as of May 31, 2019, 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 October 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Teche Action Board, Inc. d/b/a Teche Action Clinic'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 Teche Action Board, Inc. d/b/a Teche Action Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of Teche Action Board, Inc. d/b/a Teche Action Clinic'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Teche Action Board, Inc. d/b/a Teche Action Clinic'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, Waymouth & Carroll, L.L.P.

October 28, 2019

HAWTHORN WAYMOUTH & CARROLL, L.L.P.
Certified Public Accountants

Louis C. McKnight, III, CPA
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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

Board of Directors
Teche Action Board, Inc.
d/b/a Teche Action Clinic
Franklin, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Teche Action Board, Inc. d/b/a Teche Action Clinic'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 the Organization's major federal programs for the year ended May 31, 2019. Teche Action Board, Inc. d/b/a Teche Action Clinic'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 Teche Action Board, Inc. d/b/a Teche Action Clinic'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 Teche Action Board, Inc. d/b/a Teche Action Clinic'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 Teche Action Board, Inc. d/b/a Teche Action Clinic's compliance.

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Opinion on Each Major Federal Program

In our opinion, Teche Action Board, Inc. d/b/a Teche Action Clinic 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 year ended May 31, 2019.

Report on Internal Control Over Compliance

Management of Teche Action Board, Inc. d/b/a Teche Action Clinic 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 Teche Action Board, Inc. d/b/a Teche Action Clinic'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 Teche Action Board, Inc. d/b/a Teche Action Clinic'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. 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, Waymouth & Carroll, L.L.P.

October 28, 2019

Teche Action Board, Inc. d/b/a Teche Action Clinic
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2019

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S Department of Health and Human Services			
Health Centers Cluster*			
Consolidated Health Centers	N/A	93.224	$ 1,530,504
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	N/A	93.527	4,340,032
Total Health Centers Cluster			5,870,536
Health Infrastructure Investment Program	N/A	93.526	418,440
Total U.S. Department of Health and Human Services			6,288,976
Delta Regional Authority			
Delta Local Development District Assistance	N/A	90.202	194,000
Total expenditures of federal awards			$ 6,482,976

*Denotes major program

The accompanying notes are an integral part of this schedule.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Schedule of Expenditures of Federal Awards
Year Ended May 31, 2019

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Teche Action Board, Inc. d/b/a Teche Action Clinic under programs of the federal government for the year ended May 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2-Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3-Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4-Loans and Loan Guarantee Program

The Organization had no loans or loan guarantee programs outstanding as of May 31, 2019 for those loans described in 2 CFR 200.502(b).

Note 5-Subreceipients

The Organization did not pass-through any of its federal awards to subrecipients during the year ended May 31, 2019.

Note 6-Non-cash Assistance

For the year ended May 31, 2019, the Organization did not expend any federal awards in the form of non-cash assistance.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Schedule of Findings and Questioned Costs
Year Ended May 31, 2019

Section I – Summary of Auditor's Results

Financial Statements
Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

*Material weakness(es) identified?	___ Yes	X No
*Significant deficiency(ies) identified?	___ Yes	X None reported
Noncompliance material to financial statements noted?	___ Yes	X No

Federal Awards
Internal control over major programs:

*Material weakness(es) identified?	___ Yes	X No
*Significant deficiency(ies) identified?	___ Yes	X 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 2 CFR 200.516(a)?	___ Yes	X No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
93.224/93.527	Health Centers Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee?	X Yes	___ No

A separate management letter was not issued.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Schedule of Findings and Questioned Costs
Year Ended May 31, 2019

Section II – Financial Statement Findings

No findings were noted.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended May 31, 2019

Section II – Financial Statement Findings

2018-001: Recording of Fixed Assets

Summary of Prior Year Finding: Two previously disposed assets were not removed from the fixed asset schedule at year-end, and one asset was not recorded on the fixed asset schedule at year-end.

Status: This finding has been cleared.

A management letter was not issued.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.

Teche Action Board, Inc.
d/b/a Teche Action Clinic
Agreed-Upon Procedures Report
May 31, 2019

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Independent Accountant's Report
on Applying Agreed-upon Procedures

To the Board of Trustees of
Teche Action Board, Inc. d/b/a Teche Action Clinic and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Teche Action Board, Inc. d/b/a Teche Action Clinic and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2018 through May 31, 2019. The Entity's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedures presented in italics.

Written Policies and Procedures

1. Obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

      No exceptions noted.

   b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

      No exceptions noted.

   c) ***Disbursements***, including processing, reviewing, and approving.

      No exceptions noted.

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d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

   No exceptions noted.

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

   No exceptions noted.

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

   No exceptions noted.

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.

   No exceptions noted.

h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

   No exceptions noted.

Bank Reconciliations

3. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account. Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for the selected account, and observed that:

   a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

      No exceptions noted.

   b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged);

      No exceptions noted.

c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

Non-Payroll Disbursements - (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Selected the entity's only location that processes payments.

   No exceptions noted.

9. For each location selected under #8 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed that job duties are properly segregated such that:

   a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

   No exceptions noted.

   b) At least two employees are involved in processing and approving payments to vendors.

   No exceptions noted.

   c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

   No exceptions noted.

   d) Either the employee/official responsible for signing checks mails the payments or gives the signed checks to an employee to mail who is not responsible for processing payments.

   No exceptions noted.

10. For each location selected under #8 above, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:

    a) Observed that the disbursement matched the related original invoice/billing statement.

    No exceptions noted.

    b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

    No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtained management's representation that the listing is complete.

    No exceptions noted.

12. Using the listing prepared by management, selected all 3 cards that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card, obtained supporting documentation, and:

    a) Observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

       No exceptions noted.

    b) Observed that finance charges and late fees were not assessed on the selected statements.

       No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, <u>excluding fuel cards</u>, randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

    (1) No exceptions noted.
    (2) No exceptions noted.
    (3) No exceptions noted.

Travel and Travel-related Expense Reimbursements (excluding card transactions)

14. Obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly selected 5 reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation for each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected;

    a) If reimbursed using a per diem, agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (<u>www.gsa.gov</u>).

       No exceptions noted.

b) If reimbursed using actual costs, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Other

15. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

    Management asserted it is not aware of any misappropriations of public funds or assets.

16. Observed that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

    No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Hawthorn, Waymouth & Carroll, L.L.P.

August 27, 2019