

**DAVID RAINES COMMUNITY
HEALTH CENTER, INC.**

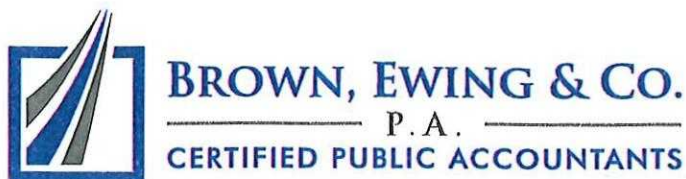
AUDITED FINANCIAL STATEMENTS

JUNE 30, 2020

(With Summarized Financial Information for 2019)

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
June 30, 2020
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of David Raines Community Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 David Raines Community Health Center, Inc., as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited David Raines Community Health Center, Inc.'s 2019 financial statements, and we expressed an *unmodified audit opinion* on those audited financial statements in our report dated November 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

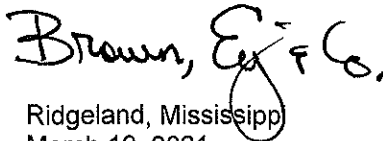
Other-Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 21-22 is presented for purposes of additional analysis and is not a required part of the financial statements. 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*, is presented for purposes of additional analysis and is 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 March 19, 2021, on our consideration of David Raines Community Health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 David Raines Community Health Center, Inc.'s internal control over financial reporting and compliance.


Ridgeland, Mississippi
March 19, 2021

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2020
(With Summarized Financial Information for 2019)

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents	\$ 4,077,766	\$ 559,661
Certificates of deposit	300,115	300,115
Patient care receivables, less allowance of \$210,798 for doubtful accounts	554,782	511,457
Grants receivable	114,825	52,185
Accounts receivable - other	132,835	106,090
Inventory - pharmacy	<u>168,127</u>	<u>150,523</u>
Total Current Assets	<u>5,348,450</u>	<u>1,680,031</u>
Fixed Assets:		
Land	78,959	78,959
Building and improvements	5,055,212	5,055,212
Furniture and equipment	2,204,473	2,204,473
Vehicles	<u>547,905</u>	<u>547,905</u>
	7,886,549	7,886,549
Less: Accumulated depreciation	<u>(4,402,136)</u>	<u>(4,129,745)</u>
Net Fixed Assets	<u>3,484,413</u>	<u>3,756,804</u>
Other Assets:		
Other Assets	<u>22,200</u>	<u>2,200</u>
TOTAL ASSETS	<u>\$ 8,855,063</u>	<u>\$ 5,439,035</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2020
(With Summarized Financial Information for 2019)

<u>LIABILITIES AND NET ASSETS</u>	<u>2020</u>	<u>2019</u>
<i>Current Liabilities:</i>		
Accounts payable	\$ 181,630	\$ 200,153
Line of credit payable	370,228	400,253
Other payroll deductions payable	44,732	-
Salaries payable	318,404	300,039
Accrued annual leave	234,933	254,644
Other current liabilities	209,157	54,130
Refundable advance (Note 16)	1,398,597	-
Current portion of long term debt	14,372	27,702
Total Current Liabilities	<u>2,772,053</u>	<u>1,236,921</u>
<i>Long-Term Liabilities</i>		
Notes payable, net of current portion	-	12,755
Total Long-Term Liabilities	<u>-</u>	<u>12,755</u>
Total Liabilities	<u>2,772,053</u>	<u>1,249,676</u>
<i>Net Assets without Donor Restrictions:</i>		
Undesignated (Operating)	5,558,010	3,819,359
Section 329/330(d) reserve	300,000	300,000
Net Assets with Donor Restrictions	<u>225,000</u>	<u>70,000</u>
Total Net Assets	<u>6,083,010</u>	<u>4,189,359</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,855,063</u>	<u>\$ 5,439,035</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Operations and Changes In Net Assets
For the Year Ended June 30, 2020
(With Summarized Financial Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020	2019
SUPPORT AND REVENUES				
Support:				
Grants and contracts	\$ 4,951,087	225,000	\$ 5,176,087	\$ 4,683,210
Net assets released from restrictions				
Satisfaction of program restriction	<u>70,000</u>	<u>(70,000)</u>	<u>-</u>	<u>-</u>
Total Support	<u>5,021,087</u>	<u>155,000</u>	<u>5,176,087</u>	<u>4,683,210</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$10,241,376	7,867,012	-	7,867,012	7,631,545
340B income	130,654	-	130,654	166,319
Interest income	11,008	-	11,008	14,697
Rental income	-	-	-	190
Other income	<u>1,466,412</u>	<u>-</u>	<u>1,466,412</u>	<u>651,369</u>
Total Revenue	<u>9,475,086</u>	<u>-</u>	<u>9,475,086</u>	<u>8,464,120</u>
TOTAL SUPPORT AND REVENUES	<u>14,496,173</u>	<u>155,000</u>	<u>14,651,173</u>	<u>13,147,330</u>
EXPENSES				
Program Services				
Health care services	<u>8,113,367</u>	<u>-</u>	<u>8,113,367</u>	<u>7,184,835</u>
Total Program Services	<u>8,113,367</u>	<u>-</u>	<u>8,113,367</u>	<u>7,184,835</u>
Supporting Services				
Management and general	4,629,376	-	4,629,376	5,616,113
Fundraising	<u>14,779</u>	<u>-</u>	<u>14,779</u>	<u>14,825</u>
Total Supporting Services	<u>4,644,155</u>	<u>-</u>	<u>4,644,155</u>	<u>5,630,938</u>
TOTAL EXPENSES	<u>12,757,522</u>	<u>-</u>	<u>12,757,522</u>	<u>12,815,773</u>
Change in Net Assets	1,738,651	155,000	1,893,651	331,557
Net Assets, Beginning of Year	<u>4,119,359</u>	<u>70,000</u>	<u>4,189,359</u>	<u>3,857,802</u>
NET ASSETS, END OF YEAR	<u>\$ 5,858,010</u>	<u>225,000</u>	<u>\$ 6,083,010</u>	<u>\$ 4,189,359</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Summarized Financial Information for 2019)

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>			
	<u>Health Care Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020</u>	<u>2019</u>
Personnel	\$ 5,860,911	5,860,911	1,662,301	-	\$ 7,523,212	\$ 7,572,918
Fringe benefits	405,777	405,777	655,271	-	1,061,048	992,235
Travel	8,285	8,285	14,869	-	23,154	59,431
Supplies	1,304,244	1,304,244	227,450	-	1,531,694	1,384,237
Equipment rental	504	504	24,117	-	24,621	36,974
Contractual	452,849	452,849	568,780	-	1,021,629	1,093,459
Legal	-	-	5,215	-	5,215	5,793
Dues and subscriptions	17,960	17,960	8,173	-	26,133	32,500
Utilities	-	-	117,711	-	117,711	104,930
Repairs and maintenance	13,504	13,504	418,720	-	432,224	484,040
Insurance	-	-	92,055	-	92,055	120,993
Staff recruitment	4,152	4,152	3,750	-	7,902	43,773
Public relations	15,966	15,966	58,772	-	74,738	96,557
Security	206	206	15,546	-	15,752	21,830
Training and development	8,728	8,728	1,038	-	9,766	37,425
Telephone	-	-	270,354	-	270,354	210,781
Postage	1,847	1,847	10,099	-	11,946	8,779
Printing	-	-	2,752	-	2,752	1,632
Space cost	-	-	44,402	-	44,402	37,879
Interest	-	-	32,034	-	32,034	37,710
Bank charges	-	-	10,143	-	10,143	25,999
Food and beverage	8,757	8,757	6,659	-	15,416	10,514
Board expenses	-	-	13,120	-	13,120	30,754
Fundraising	-	-	-	14,779	14,779	14,825
Property and other taxes	-	-	79,075	-	79,075	44,447
Other	9,677	9,677	14,578	-	24,255	23,056
Total expenses before depreciation	8,113,367	8,113,367	4,356,984	14,779	12,485,130	12,533,471
Depreciation	-	-	272,392	-	272,392	282,302
Total Expenses	<u>\$ 8,113,367</u>	<u>8,113,367</u>	<u>4,629,376</u>	<u>14,779</u>	<u>\$ 12,757,522</u>	<u>\$ 12,815,773</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Summarized Financial Information for 2019)

CASH FLOWS USED FOR OPERATING ACTIVITIES:

	<u>2020</u>	<u>2019</u>
Changes in Net Assets	\$ 1,893,651	\$ 331,557
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	272,392	282,302
Decrease (increase) in:		
Patient care receivables	(43,325)	33,641
Inventory	(17,604)	(87,350)
Other receivable	(26,745)	(90,423)
Grants receivable	(62,640)	(12,205)
Prepaid expenses	-	10,219
Other assets	(20,000)	-
Increase (decrease) in:		
Accounts payable	(18,523)	(20,539)
Other payroll deductions payable	44,732	-
Refundable advances	1,398,597	-
Other liabilities	155,026	(871)
Accrued annual leave	(19,711)	(29,621)
Accrued salary payable	18,365	22,455
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>3,574,215</u>	<u>439,165</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of interest reinvested	-	(115)
Acquisition of fixed assets	-	(80,897)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>-</u>	<u>(81,012)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on line of credit	(30,025)	(36,910)
Principal payments on notes payable	(26,085)	(32,497)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(56,110)</u>	<u>(69,407)</u>
NET INCREASE (DECREASE) IN CASH	3,518,105	288,746
CASH, BEGINNING OF YEAR	<u>559,661</u>	<u>270,915</u>
CASH, END OF YEAR	<u>\$ 4,077,766</u>	<u>\$ 559,661</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest expense	<u>\$ 32,034</u>	<u>\$ 37,710</u>

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

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2020

NOTE 1 - ABOUT THE ORGANIZATION

David Raines Community Health Center, Inc. (DRCHC), a non-profit corporation was incorporated in the State of Louisiana on May 19, 1992. DRCHC was incorporated for the purpose of delivering comprehensive primary health care services to all individuals and families in the surrounding contiguous areas.

The fiscal year of DRCHC is July 1 through June 30.

Effective January 1, 2021, the fiscal year of DRCHC will be January 1 through December 31

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of David Raines Community Health Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The Organization is required to report information regarding its financial position and operations according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the Organization is required to present a statement of functional expenses and cash flows.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB ASC 958-605-30-4, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Operations and Changes in Net Assets and in the Statement of Functional Expenses. Certain costs attributable to more than one function have been allocated based on various methods including square footage and percent of time dedicated to each function.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Assets acquired with a unit cost of \$5,000 is capitalized and depreciated over their estimated useful lives.
- The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.
- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Statement of Operations and Changes in Net Assets as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - DRCHC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.
- M. Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- N. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.
- O. Classification of Net Assets - Net Assets of DRCHC are classified based on the presence or absence of donor-imposed restrictions. Net Assets are comprised of two groups as follows:
- a) Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
- b) Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may need to be maintained in perpetuity.

NOTE 3 - FINANCIAL INSTRUMENTS

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

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

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

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$4,077,766	\$4,077,766
Certificates of deposit	\$ 300,115	\$ 300,115
Financial liabilities:		
Notes payable	\$ 14,372	\$ 14,372
Line of credit payable	\$ 370,228	\$ 370,228

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2020

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

The Center maintains its cash balances in four (4) financial institutions located in Shreveport, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the Center had an uninsured cash balance of \$3,557,801. The Center has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 5 - LIQUIDITY AND AVAILABILITY

David Raines Community Health Centers, Inc. ("Organization") maintains liquid financial assets to cover one hundred forty-four (144) days of general expenditures as of June 30, 2020. The Organization manages its liquidity and reserves following three guiding principles: to operate with financial prudence and stability; to maintain adequate liquid assets to meet short-term operating needs; and to maintain sufficient liquid assets to ensure that long-term obligations are properly met.

The Organization forecasts its future cash flows on a daily basis and monitors liquidity daily and monthly. Cash reserves invested are monitored and evaluated quarterly. Financial assets in excess of daily cash requirements are invested in certificates of deposit. The Organization also maintains an open line of credit with Capital One Bank.

The following table reflects the Organization's financial assets as of June 30, 2020 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date either because of contractual restrictions or internal board designations. Contractual and donor restrictions include \$225,000 donated from community organizations that are specifically intended for financing of a new mobile unit.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2020
Cash and cash equivalents	\$ 4,077,766
<i>Certificates of Deposit</i>	300,115
Patient receivable	459,207
Pharmacy receivable	95,575
Grants Receivable	114,825
Total financial assets	5,047,488
 Donor restricted funds for Mobile Unit	 (225,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,822,488

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2020

NOTE 6 - PATIENT & PHARMACY RECEIVABLES AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Patient and pharmacy accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at June 30, 2020:

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 300,439
Government	194,417
Other	<u>270,724</u>
	<u>\$ 765,580</u>

Allowance for doubtful accounts is summarized as follows at June 30, 2020

<u>Allowance :</u>	<u>Amount</u>
Patients	\$ 79,367
All Other	<u>131,431</u>
	<u>\$ 210,798</u>

NOTE 7 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at June 30, 2020:

<u>Patient Service Revenue</u>	<u>Amount</u>
Patient Service Revenue	\$ 18,108,388
Less: Contractual adjustment under third-party reimbursement program and discounts	(9,120,646)
Provision for bad debts	<u>(1,120,730)</u>
Net Patient Service Revenue	<u>\$ 7,867,012</u>

NOTE 8 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation at June 30, 2020:

<u>Assets</u>	<u>Cost</u>
Land	\$ 78,959
Buildings and Improvements	5,055,212
Furniture and Equipment	2,204,473
Vehicles	<u>547,905</u>
Total Fixed Assets	7,886,549
Less: Accumulated Depreciation	<u>(4,402,136)</u>
Net Fixed Assets	<u>\$ 3,484,413</u>

Depreciation expense for the year ended June 30, 2020 amounted to \$272,392.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2020

NOTE 9 - CORPORATE INCOME TAXES

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

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2017, 2018, and 2019 are subject to examination by the federal, state, and local taxing authorities, generally for three years after they are filed.

NOTE 10 - RETIREMENT PLAN

The Center has a Section 403(b) retirement annuity plan on all eligible employees. Currently, the Center contributes to the plan three percent (3%) of gross wages. Each employee is allowed to contribute up to six percent (6%) of gross wages. The retirement expense for the fiscal year is \$117,422.

NOTE 11 - COMMITMENT AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at June 30, 2020 in the amount of \$234,933 is included in the financial statements. See Note 2.J. above.

NOTE 12 - SUMMARY OF FUNDING AND SUPPORT

David Raines Community Health Center's operations are funded through restricted grants from the U.S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Department of Health and Human Services	H80CS00720	7/1/19 - 6/30/20	\$ 4,205,454
Louisiana Clinical Services(School Based Clinics)	N/A	7/1/19-6/30/20	402,258
Louisiana State Department of Health and Hospitals (WIC)	720173	7/1/19-6/30/20	286,380
Louisiana Primary Care Association	N/A	7/1/19-6/30/20	3,400
Blue Cross Blue Shield of LA Foundation	N/A	7/1/19-6/30/20	225,000
Other Grants	N/A	7/1/19-6/30/20	53,595
TOTAL			<u>\$ 5,176,087</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2020

NOTE 13 - LONG-TERM NOTES PAYABLE

Notes payable consist of the following at June 30, 2020:

6.11% note dated November 23, 2005, payable in monthly payments of \$2,439 which includes principal and interest only; matures, December 1, 2020, collateralized by Minden Clinic Building	\$ <u>14,372</u>
TOTALS	14,372
Less: Current portion	(14,372)
Total Long-Term Debt	\$ <u><u>-</u></u>

Maturities of long-term debt are as follows:

	Principal	Interest	Total
FY <u>2021</u>	\$ <u>14,372</u>	<u>262</u>	\$ <u>14,634</u>
Totals	\$ <u><u>14,372</u></u>	<u><u>262</u></u>	\$ <u><u>14,634</u></u>

NOTE 14 - BANK LINE OF CREDIT PAYABLE

David Raines Community Health Center, Inc. has available a secured line-of-credit agreement dated September 24, 2013 with Capital One Bank in which David Raines Community Health Center, Inc. may borrow up to \$500,000. Borrowing under the line bears interest at 3.8%. As of June 30, 2020, David Raines Community Health Center, Inc.'s outstanding balance on the line-of-credit was \$370,228.

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions subject to expenditures for a specified purpose are as follows at June 30, 2020:

Mobile Unit	
Blue Cross Blue Shield of Louisiana Foundation	\$ <u>225,000</u>
TOTALS	\$ <u><u>225,000</u></u>

NOTE 16 - REFUNDABLE ADVANCES

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

Paycheck Protection Program	\$ 1,042,988
Covid-19 Provider Protection Grant	<u>355,609</u>
Refundable advances, end of year	\$ <u><u>1,398,597</u></u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2020

NOTE 17 - LITIGATION

David Raines Community Health Center, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers and other insurance coverage in amounts the Company believes to be adequate. The Company requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

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

NOTE 18 - ADVERTISING

David Raines Community Health Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending June 30, 2020, advertising cost totaled \$80,254.

NOTE 19 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 29% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 20 - GRANT BALANCES AND GRANT CONDITIONS

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

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Uniform Guidance. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2020

NOTE 21 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE 22 - PAYCHECK PROTECTION PROGRAM - CONTRIBUTION REVENUE

David Raines Community Health Center, Inc. was granted a \$1,814,380 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. David Raines Community Health Center, Inc. is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. David Raines Community Health Center, Inc. has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if David Raines Community Health Center, Inc. maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. Contribution revenue has been recorded for the year ended June 30, 2020 in the amount of \$771,392.

NOTE 23 - SUBSEQUENT EVENTS

Change in Fiscal Year

Subsequent to the current fiscal year end, the Board of Directors of David Raines Community Health Center, Inc. approved the Organization change in fiscal year from July 1 through June 30 to January 1 through December 31. This change is effective beginning January 1, 2021.

Subsequent events have been evaluated through March 19, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grant/ Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Program:			
Health Centers Cluster			
Consolidated Health Centers	93.224	H80CS00720	\$ 381,632
Affordable Care Act Grants for New and Expended	93.527	H80CS00720	<u>3,748,384</u>
Services Under the Health Centers Program			<u>4,130,016</u>
Total Health Centers Cluster			<u>4,130,016</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,130,016</u>
<u>U. S. Department of Agriculture</u>			
Pass Through State of Louisiana			
Department of Health and Hospitals			
Women, Infant & Children Grant (WIC)	10.557	720173	<u>286,380</u>
			<u>286,380</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,416,396</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of David Raines Community Health Center, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of David Raines Community Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of David Raines Community Health Center, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

INDIRECT COST RATE

David Raines Community Health Center, Inc. does not have indirect cost and has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

SUPPLEMENTARY INFORMATION

SCHEDULE A

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer
 For the Year Ended June 30, 2020

In accordance with Act 706 passed during the 2014 regular Louisiana Legislative Session, the compensation, benefits, reimbursements and other payments to the Chief Executive Officer are presented as follows:

<u>Category</u>	<u>Amount</u>	<u>Total</u>
Salary	\$ 206,365	
Incentive pay - (bonus)	23,240	
PTO Buy Back	<u>15,681</u>	
Total salary		\$ 245,286
Benefits:		
Health insurance	3,027	
FICA/Medicare	12,186	
Retirement	<u>6,557</u>	
Total benefits		21,770
Travel:		
Conferences	722	
Airfare and lodging	<u>569</u>	
Total travel		<u>1,291</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>268,347</u>

SCHEDULE B

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 Combining Schedule of Support and Revenues
 For the Year Ended June 30, 2020

	<u>HHS Section 330 Funds</u>	<u>WIC Program</u>	<u>Other Grants</u>	<u>Fundraising</u>	<u>Total</u>
SUPPORT AND REVENUES:					
Support:					
Grants and contracts	\$ <u>4,062,225</u>	<u>286,380</u>	<u>405,658</u>	<u>-</u>	\$ <u>4,754,263</u>
Total Support	<u>4,062,225</u>	<u>286,380</u>	<u>405,658</u>	<u>-</u>	<u>4,754,263</u>
Revenue:					
Health care services, net of charity, bad debts and adjustments of \$10,241,376	7,867,012	-	-	-	7,867,012
Rental income	-	-	-	-	-
340B income	130,654	-	-	-	130,654
Interest income	11,008	-	-	-	11,008
Other income	<u>1,362,454</u>	<u>-</u>	<u>-</u>	<u>103,958</u>	<u>1,466,412</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 13,433,353</u>	<u>286,380</u>	<u>405,658</u>	<u>103,958</u>	<u>\$ 14,229,349</u>



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 of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

We have audited, 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, the financial statements of David Raines Community Health Center, Inc.'s (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of operations and changes in net assets, 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 March 19, 2021.

Internal Control Over Financial Reporting

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

We noted certain matters that we reported to management of David Raines Community Health Center, Inc. in a separate letter dated March 19, 2021.

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.

Braun, E & Co.
Ridgeland, Mississippi
March 19, 2021



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 of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

Report on Compliance for Each Major Federal Program

We have audited David Raines 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 David Raines Community Health Center, Inc.'s major federal programs for the year ended June 30, 2020. David Raines 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 terms and condition of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of David Raines 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 David Raines 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 David Raines Community Health Center, Inc.'s compliance.

Basis for Qualified Opinion on Health Center Cluster, CFDA #93.224 Consolidated Health Centers and CFDA #93.527 Affordable Care Act Grant for New and Expanded Services Under the Health Center Program

As described in the accompanying schedule of findings and questioned costs, David Raines Community Health Center, Inc. did not comply with requirements regarding Special Tests and Provisions-Sliding Fee Discount of CFDA #93.224 Consolidated Health Centers and CFDA #93.527 Affordable Care Act Grant for New and Expanded Services Under the Health Center Cluster Program as described in finding number 2020-1. Compliance with such requirements is necessary, in our opinion, for David Raines Community Health Center, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Health Center Cluster Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, David Raines 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 the Health Center Cluster program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of David Raines 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 David Raines 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 David Raines 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.

David Raines Community Health Center, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. David Raines Community Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Brown, E. & Co.

Ridgeland, Mississippi
March 19, 2021

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2020

There were no findings for the year ended June 30, 2019

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2020

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued on the financial statements. | Unmodified |
| 2. | Material noncompliance relating to the financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None |

Federal Awards:

- | | | |
|----|--|----------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Modified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None |
| 6. | Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)? | Yes |
| 7. | Federal programs identified as major programs: | |

NAME OF PROGRAM	ASSISTANCE LISTING NUMBER
Health Centers Cluster:	
Consolidated Health Centers	93.224
Affordable Care Act Grants for New and Expanded Services Under the Health Centers Program	93.527

- | | | |
|----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee did not qualify as a low-risk Auditee. | |

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section 2 - Findings - Financial Statements Audit

NONE

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

Finding 2020-1

SPECIAL TESTS AND PROVISIONS (SLIDING FEE SCALE)

**U. S. Department of Health and Human Services
Consolidated Health Center Grant; Assistance Listing #93.224 and #93.527**

Condition

During our test of sliding fee patients, we noted five (5) instances out of 25 patient files reviewed in which the sliding fee discount was calculated incorrectly.

Cause

Failure to follow established Center procedures

Effect

Improper calculation of sliding fee discount

Criteria

Department of Health & Human Services guidelines, Section 330 of the PHS Act and 42 CFR Part 51c.303(f) which states Health Centers must provide a full discount to individuals with an annual income at or below 100% of the poverty guidelines and for those with incomes between 100% and 200% of poverty, fees must be charged in accordance with a sliding discount policy based on family size and income.

Auditor's Recommendation

The Center should strengthen internal administrative controls to ensure that the fees charged and level of discount a patient receives is calculated correctly based on income and family size.



Corrective Action Plan - FYE June 30, 2020

Re: Sliding Fee Scale

David Raines Community Health Centers (DRCHC) will implement a re-training of staff on the practice management system (PMS) sliding fee functionality and proper calculations of the sliding fee scale. The process would also identify any opportunities for process improvement. DRCHC will also implement a process to review monthly staff adherence to the proper calculations of the sliding fee scale.

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BOSSIER . GILLIAM . HAYNESVILLE . MINDEN . SHREVEPORT

**DAVID RAINES COMMUNITY
HEALTH CENTER, INC.**

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2020



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

In planning and performing our audit of the financial statements of David Raines Community Health Center, Inc., as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing 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 the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. This letter does not affect our report dated March 19, 2021 on the financial statements of David Raines Community Health Center, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

SEPARATE COST CENTERS FOR NEW GRANTS

During the fiscal year under audit, the Center received grant funds in which separate cost centers had not been established.

Recommendation

In order to more clearly reflect activity on a grant-by-grant basis, we strongly suggest that the Center maintain separate cost centers for each new funding source. This practice will facilitate the reporting requirements for these new grants and assist in determining the funds expended for each of the separate grants.

Management's Plan of Corrective Action

Management has upgraded the current Accounting software. General ledger accounts with separate cost centers will be set up for current and new grant funds received in order to facilitate the reporting requirements and assist with identifying funds expended to each grant separately. The reporting functions of the existing accounting system will produce financial statements and detail the general ledger by specifying the grant number desired.

RECORD STORAGE AND RETRIEVAL

During our audit we noted that accounting records could not be located when needed. The causes of the problem appear to be the lack of a clearly specified system for filing records and the failure to return the record to the files or misfiling it when it was returned. This resulted in employees spending an excessive amount of time searching for needed documents.

Recommendation

We strongly recommend that the Center strengthen internal administrative controls to ensure that documents are filed in a systematic manner that are readily retrievable when needed.

Management's Plan of Corrective Action

Management has contracted with the provider of the existing comprehensive accounting system (Blackbaud) to upgrade to the most current version available which offers the capability of uploading multiple media types that can be stored via their hosting service. This storage will ensure that supporting documentation can be readily available and retrievable when needed. Accounting staff will be consistent in attaching documentation for every entry into the system.

REVIEW OF PAY CHANGES

During our review of personnel files, we noted that supporting documentation included in the file did not always agree with the amount paid to an employee.

Recommendation

We strongly recommend that the Center strengthen internal administrative controls to ensure that the human resource department approve all changes in an employee's gross pay with all appropriate sign offs before this information may be entered into the payroll system. Additionally, this documentation should be included in the employees personnel file for verification and easy retrieval.

Management's Plan of Corrective Action

Management has implemented the following:

- All personnel action forms which generate a change will be forwarded to payroll for verification and review.
- Created a separate payroll file for each employee to include payroll change documents that do not generate a personnel action form such as refunds, credits, etc.
- Perform quarterly review of personnel files/HRIS to ensure supporting documentation is with each personnel action form and reflected appropriately.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Brown, Eng & Co.

March 19, 2021