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**RAPIDES PRIMARY
HEALTH CARE CENTER, INC.**

Report on Financial Statements
for year ended September 30, 1997

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

Release Date APR 08 1998

Donald L. Allen
Certified Public Accountant
Alexandria, Louisiana

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
RAPIDES PRIMARY HEALTH CARE CENTER, INC.
Alexandria, LA

I have audited the accompanying Statement of Position of Rapides Primary Health Care Center, Inc. (a nonprofit organization) as of September 30, 1997, and the related statements of activities, functional expenditures, changes in net assets and cash flows for the period then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rapides Primary Health Care Center, Inc. as of September 30, 1997 and the results of its activities and its cash flows for the periods then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that Rapides Primary Health Care will continue as a going concern. As discussed in Note 1 to the financial statements, expenditures have exceeded supports. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Donald L. Allen

Alexandria, LA
February 27, 1998

RAPIDES PRIMARY HEALTH CARE CENTER, INC.
 STATEMENTS OF FINANCIAL POSITION
 September 30, 1997

ASSETS		Combined Financial Statements
Cash and Equivalents		
Cash In Banks		\$ 21,375
Accounts Receivable	84,451	
Less: Allowance for Contractual Medicare/Medicaid	(65,917)	77,504
Other Current Assets		15
TOTAL CURRENT ASSETS		98,914
Grants Receivable		403,239
Land, Buildings and Equipments	674,511	
Less: Accumulated Depreciation	(41,018)	633,493
Construction-In-Progress (New D)		143,476
TOTAL ASSETS		<u>\$1,279,120</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable		
Operations	331,538	
Construction	440	
Accrued Expenditures	8,084	
Current Portion, Long-Term Debt	103,202	
TOTAL CURRENT LIABILITIES		163,764
Capital Lease Obligation	8,520	
Notes Payable	138,018	146,538
TOTAL LIABILITIES		308,322
NET ASSETS:		
Unrestricted	(75,960)	
Restricted	1,052,787	
TOTAL NET ASSETS		938,787
TOTAL LIABILITIES & NET ASSETS		<u>\$1,279,120</u>

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.
Statements of Activities and Changes in Net Assets
Period ended September 30, 1997

Support and Contributions

SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	MEMO TOTAL
Grant Revenue	\$ --	\$179,352	\$179,352
Insurance Rewards	--	17,028	17,028
Other Support	--	525	525
Medical	132,607	--	132,607
Kid-Med	40,743	--	40,743
Net Assets Released from Restriction	<u>129,826</u>	<u>(129,826)</u>	<u> </u>
TOTAL REVENUE AND SUPPORT	367,186	(923)	366,263
 EXPENDITURES			
Program Services:			
Medical	225,695	--	225,695
Kid Med	59,587	--	59,587
Support Services, Management	<u>189,528</u>	<u> </u>	<u>189,528</u>
TOTAL EXPENDITURES	475,220	 	475,220
 CHANGE IN NET ASSETS	(108,034)	(923)	(108,957)
 NET ASSETS BEGINNING OF YEAR	1,321,019	1,052,680	1,052,754
 NET ASSETS, END OF YEAR	<u>\$ 1,212,985</u>	<u>\$ 1,051,757</u>	<u>\$ 1,214,742</u>

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.
Statement of Functional Expenditures
Period ended September 30, 1997

	<u>Medical</u>	<u>Gen. Med.</u>	<u>Management and General</u>	<u>Other Total</u>
Salaries and Benefits	\$22,840	\$29,297	\$ 86,772	\$238,909
Travel and Education	600	30	25	655
Supplies	11,922	332	3,691	15,945
Maintenance/Repairs	280	17	900	1,207
Legal/Professional	143,236	--	25,482	178,718
Insurance	6,902	--	10,343	17,245
Other Expenditures	<u> 9,205</u>	<u> 311</u>	<u>29,806</u>	<u>49,322</u>
Total Expenditures Before Depreciation	229,665	39,967	169,029	454,711
Depreciation Building/Equipment	<u> 11</u>	<u> 11</u>	<u>20,508</u>	<u>20,529</u>
Total Expenditures	<u>\$229,676</u>	<u>\$39,978</u>	<u>\$189,537</u>	<u>\$475,178</u>

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.
Statements of Cash Flows
(Indirect)
 Period ended September 30, 1997

	Combined
Cash Resources Used by Operating Activities:	
Decrease in Assets	\$ (108,857)
Adjustments to Cash Resources Used by Activities:	
Add: Bad Debt Depreciation	20,509
Deduct: Increase in Accounts Receivable	(55,894)
Add: Decrease in Grant Receivable	64,181
Add: Decrease in Other Assets	346
Add: Increase in Accounts Payable Operations	7,744
Deduct: Decrease in Accounts Payable Construction	(62,700)
Deduct: Decrease in Accrued Expenses	(5,942)
Deduct: Decrease in Capital Lease Obligation	(2,737)
Add: Increase in Notes Payable	<u>62,942</u>
TOTAL ADJUSTMENTS TO OPERATING ACTIVITIES	<u>28,124</u>
NET CASH USED BY OPERATIONS	(80,733)
CASH PROVIDED (USED) BY INVESTING/FINANCING ACTIVITIES	
Investing Activities:	
Reduction of Grant Receivable	123,499
Writedown of Equipment and Fixtures	8,480
Investment in New Building	<u>(123,578)</u>
CASH PROVIDED BY INVESTING ACTIVITIES	<u>8,401</u>
Financing Activities:	
Proceeds from Long Term Obligations	<u>5,036</u>
NET CASH USED BY ALL ACTIVITIES	(70,408)
Cash @ Beginning of Period	<u>91,382</u>
Cash @ End of Period	\$ <u>21,374</u>

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

Notes to Financial Statements
Period ended September 30, 1997

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and History and background of the Organization

Rapides Primary Health Care Center, Inc. (RPHCC) was organized to provide Health Services to needy people in the Central Louisiana, area. The project is a Community-based Health Care Clinic as defined by Art. 810 of the Louisiana Legislature. RPHCC is keeping with its charter, openly, and by accepted means, solicits and properly accepts bids for the capital-construction of its buildings and purchases and installations of its related equipments. RPHCC rejected all bids in the first instance of its circular for terms and conditions not in accordance with its requirements. Second and other bids were placed in the Public Domain from which contracts were selected in relationships that exist to this current period in the continuing construction of buildings and facilities for the patient to be completed in the next fiscal period. When all fiscal properties are completed, RPHCC is expected to provide Medical and Dental Services to over 18,000 residents. These persons will have availability to affordable health care for low to moderate citizens of the immediate community.

Summary of Significant Accounting Policies

Financial statements of RPHCC have been prepared on the modified accrual basis of accounting. Certain budgetary items are subject to approval by the Louisiana Department of Health and Hospitals, as valid distributions in the stages of development, and award. Contributions and Support (see below) at this point are restricted for purposes as described in the "One-Time-Only" Grant conditions and will be reported on and disclosed subject to their availability. Other Supports will be recorded and reported when they are identifiable and measurable on a basis in accordance with the modified accrual basis of accounting.

RPHCC is exempt from Federal Income Tax as an organization described in section 501 (c) (3) of the Internal Revenue Service Code. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

Notes to Financial Statements (Continued)
Period ended September 30, 1997

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid items with an initial maturity of three months or less for resolution thereof, to be cash equivalents.

NOTE-B ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 1997 consist of cost reimbursement requests from the following sources:

Medicare	\$ 14,349
Medicaid	11,073
Kid Med	22,904
Other Sources	<u>36,203</u>

Total Accounts Receivable 84,529

Allowance for Contractual Adjustments (6,962)

Accounts Receivable Net \$ 77,567

NOTE- C GRANT RECEIVABLE/OTHER, RESTRICTED, GRANT

This Grant is afforded by the Legislature, and is available, on a Contractual Reimbursement, basis.

RAPIDES PRIMARY HEALTH CARE CENTER, INC

Notes to Financial Statements (Continued)
Period ended September 30, 1997

NOTE-D: LAND

The purchase price of the land is as follows:

Purchase Price Majority Owner	\$ 18,000
Purchase Price Minority Owner	5,000
Rating and related Costs	<u>5,029</u>
TOTAL COST	\$ 28,029

All costs related to land were expended in RPHCC's fiscal year of 1994, made with Grant funds (initially) provided by DHH, State of Louisiana.

NOTE-E: CONSTRUCTION-IN-PROGRESS/ BUILDING/EQUIPMENT

Total Costs, the majority of the target for all grant moneys, will be expended in this category. The estimated costs to complete the Building and Equipment phase of the program are:

\$1,205,000

The building cost when combined with present costs such as construction-in-progress, land, non-reversing allocated depreciation stands as:

Land	\$ 28,029
Building	482,021
Equipment and Fixtures	164,451
C-I-P, to date	<u>143,474</u>
TOTAL	\$ 817,985

and will probably have to be revised when the project is completed, from the original budgeted amount.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

Notes to Financial Statements (Continued)
Period ended September 30, 1997

The *Percentage-of-Completion* method of accounting is being used to account for Reimbursement to Contractors, and it is in accordance with generally accepted accounting principles as related to record-keeping.

NOTE-F LIABILITIES

RFHCC is presently meeting all obligations in the current portion of its accounts/notes payable, having reclassified lease obligation as long-term, being the exception. The Note payable to Rapides Finance Authority with monthly installments @ \$3,190 has been met for the fiscal period. Future payments may have to be reorganized, if revenue trends continue(as below).

The same is true for some of its limited, long-term obligations.

NOTE-G TEMPORARILY RESTRICTED NET ASSETS

The State's Capital Outlay Program's resources are considered restricted when debt incurred to finance the project is still outstanding. Even though allocation of certain revenues released from restriction resulted in negative changes in net assets, the objective charge to net assets for temporary restriction remains and is computed as follows:

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

Notes to Financial Statements (Continued)
Period ended September 30, 1997

Grant Receivable	\$ 403,238
Buildings	482,021
Construction-in-Progress	143,434
Land	28,009
Accumulated Depreciation (to date) for buildings only	<u>(1,401,616)</u>
TOTAL RESTRICTED NET ASSETS	<u>\$1,052,723</u>

The amount released as having been previously restricted in accordance with the previous fiscal year is \$ 183,835.

NOTE-B GRANT SUPPORTS

Grants received during the year were as follows:

Community Outreach Opportunity	\$ 125,000
Rapides Foundation Inc.	30,000
Empire Construction Co.	250
A. National Bank	<u>102</u>
TOTAL GRANT SUPPORT	\$175,352

NOTE I SUBSEQUENT EVENTS/GOING CONCERN

RPHCC is not a purely financial organization but instead a public entity operating in the public domain. Yet, certain financial concepts have to be brought to bear when the economic effect of operations will not support expenditures to be satisfied, as they become due.

RAPIDS PRIMARY HEALTH CARE CENTER, INC.

Notes to Financial Statements (Continued)
Period ended September 30, 1993

The negative change in net assets and similar reports during the fiscal period and subsequent to that date show that RPHCC is in need of operating capital. It is still in the start-up phase of operation with most of the Gross Revenue being earmarked and used for capital outlays for the plant and certain assets.

The probability of these necessary supports being realized seem to be real, in the near future based on the increased charges to medical, insurance and self-pay patients over the past periods of operation by RPHCC and continuing as a trend.

Management is cognizant of the problem and has begun advertising and other measures to bring in other sources of support, including referrals from certain medical establishments. Management is also seeking Grant and other provisions to relieve the stress of this problem.

If these supports are not realized in the near future, operations may suffer and be brought to a close. These uncertainities threaten RPHCC's ability to continue as a going concern.

**SUPPLEMENTARY
INFORMATION**

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**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL
CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Board of Directors
RAPIDES PRIMARY HEALTH CARE CENTER, INC.
Alexandria, Louisiana

I have audited the financial statements of Rapides Primary Health Care Center, Inc. (a nonprofit organization) as of and for the period ended September 30, 1997 and have issued my report thereon dated February 27, 1998.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Non-profit Institutions." These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audits for the period ended September 30, 1997, I considered the internal control structure of Rapides Primary Health Care Center, Inc., in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Rapides Primary Health Care Center, Inc., is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities

may nevertheless occur and not be detected. Also, projection of any evaluation of the universe to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:

Activity/Cycles

- *Treasury/Financing
- *Revenue/Receipts
- *Purchase/Disbursements
- *External/Financial reporting
- *Payroll/Personnel

Financial Statement Categories

- *Cash
- *Receivables
- *Construction-In-Progress
- *Accrued Liabilities
- *Net Assets (Restricted/Unrestricted)

Accounting Applications

- *Receivables
- *Cash (Donation) Receipts
- *Accounts Payable
- *Cash Disbursements
- *Payroll
- *Assets
- *General Ledger

General Requirements

- *Political Activity
- *Davis-Bacon Act
- *Civil Rights
- *Cash Management
- *Federal (and State) Financial Reports
- *Allowable Costs/Case Principles
- *Drug Free Workplace
- *Administrative Requirements

Specific Requirements

- *Types of Services
- *Eligibility
- *Reporting
- *Cost Allocation
- *Special Requirements

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

I need certain matters involving the internal control structure and its operation that I have communicated to the management of Rapides Primary Health Care Center, Inc. in a separate letter dated February 27, 1998 described as "findings and recommendations" inclusive in this audit report @ Page 18.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving control structure that I consider to be material weaknesses as defined above.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the information of the board of directors, management and insurers. However, this report is a matter of public record and its distribution is not limited.



Alexandria, LA
February 27, 1998

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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH "GOVERNMENT AUDITING STANDARDS"**

To the Board of Directors
RAPIDES PRIMARY HEALTH CARE CENTER, INC.
Alexandria, LA

I have audited the financial statements of Rapides Primary Health Care Center, Inc. (a nonprofit organization) as of and for the period ended September 30, 1997 and have issued my report thereon dated February 27, 1998.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Rapides Primary Health Care Center, Inc. is the responsibility of RPHCC's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Rapides Primary Health Care's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of the audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests indicate that, with respect to the items tested, Rapides Primary Health Care Center, Inc. complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that Rapides Health Care Center, Inc. had not complied, in all material respects, with those provisions. I have included findings to assist the client in processing and reporting its activities on page 18.

This report is intended for the information of the Board of Directors, Management, the Legislative Auditor's Office of the State of Louisiana, The Department of Health and Hospitals of the State of Louisiana and respective oversight agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountant
Alexandria, Louisiana
February 27, 1998

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**FINDINGS AND RECOMMENDATIONS
OF THE INDEPENDENT ACCOUNTANT**

To the Board of Directors
RAPIDES PRIMARY HEALTH CARE CENTER, INC.
Alexandria, Louisiana

Rapides Primary Health Care Center, Inc. (hereinafter, RPHCC) should be congratulated for the excellent manner RPHCC accounts for support and distributions of public funds. Additionally, RPHCC administers its constituency in a very professional and enlightened way for which it should be justly proud.

As promised orally and in our engagement letter, internal control related and other findings for administrative or accounting control practices being carried on that may not be in your best interest will be brought to your attention. I am submitting these findings for your consideration not as material weaknesses, but to assist you in your processing, keeping of records, safeguarding of assets and execution of transactions.

1. FINDING

Certain amounts on RPHCC's accounts payable distribution do not trace and agree to check cashiers and other accounting records.

RECOMMENDATION # 1

Even if RPHCC is using cost controls with distributive cost centers or categories, notes should be made in the accounting records fully detailing uses of such distributions, not left to chance that this concept, "will be understood."

CLIENT RESPONSE # 1

This happened due to financial department's oversight in bringing personal notes current. Will amend and reassign.

2. FINDING

RPHCC does not maintain an online (or otherwise) medical supply requisition system. Neither is a system in place for management responsibility (or documented as policy) to make such purchases. Client does however use a prenumbered P/O system.

RECOMMENDATION # 2

Such a system would institute quality of certain items when needed and quantity of discounts as appropriate.

CLIENT RESPONSE # 2

We have recently had a change in directors and are working to build a system as the independent accountant suggests.

3. FINDING

Although RPHCC adopts an annual budget, it does not prepare financial statements to readers with budget-to-actual processing.

RECOMMENDATION # 3

Such a process would afford better management of available (or the lack thereof) monies.

CLIENT RESPONSE # 3

We are researching the possibility of our computer program performing such tasks as opposed to completing them, off-line (with the mistakes as probable) and will institute the operation as soon as possible.

4. FINDING

Subresponsibility financials (medical, kid med to combined financials) did not tie to accumulated financials. Eventhough this amount was less than \$500, it needs correction.

RECOMMENDATION # 4

If the general ledger program produces this result, or some other cause is at fault, Client needs to correct the situation.

CLIENT RESPONSE # 4

We will investigate, and as proposed in finding # 3 and correct, accordingly.

5. FINDING

Almost as finding number 4, the general ledger's financials show accumulated depreciation for the current period (like a period expenditure) rather than the historical amount that should be represented on these contra accounts.

RECOMMENDATION # 5

If this phenomena is due to the lackability of the general ledger accounting program, or employee processing, it should be corrected.

CLIENT RESPONSE # 5

Once again, the sophistication of the computer programs of RHPCC is being overhauled and this function will be updated.

6. FINDING

While performing tests of the Internal Control Structure of RHPCC, I discovered that the same accounting employer who prepares payroll checks, hands them out to other employees.

RECOMMENDATION # 6

Notwithstanding that all these checks have been reviewed and signed by upper management/board of directors' members, payroll check distributions should be made by clerks, receptionists or low line clerical personnel.

CLIENT RESPONSE # 6

We will implement, immediately.



Alexandria, Louisiana
February 27, 1998