ACCESS HEALTH LOUISIANA

Audits of Financial Statements

February 28, 2014 and 2013

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

To the Board of Directors
Access Health Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Access Health Louisiana (AHL), which comprise the statements of financial position as of February 28, 2014 and 2013, and the related statements of operations and changes in net assets, 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 *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinions.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Access Health Louisiana, as of February 28, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated July 17, 2014 on our consideration of Access Health Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Access Health Louisiana's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
July 17, 2014

ACCESS HEALTH LOUISIANA
Statements of Financial Position
February 28, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and Cash Equivalents	$ 2,629,635	$ 2,018,036
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts of $1,417,536 for 2014 and $1,514,165 for 2013	788,737	915,612
Other Receivables	651,020	388,545
Prepaid Expenses	34,373	35,492
Total Current Assets	4,103,765	3,357,685
Property and Equipment, Net	6,901,624	7,142,973
Other Assets		
Restricted Cash	230,746	289,876
Intangibles	180,000	227,413
Less: Accumulated Amortization	(132,506)	(146,611)
Total Other Assets	278,240	370,678
Total Assets	$ 11,283,629	$ 10,871,336
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 273,194	$ 322,674
Accrued Expenses	540,942	591,254
Line of Credit	-	29,922
Current Maturities of Long-Term Debt	250,990	337,088
Total Current Liabilities	1,065,126	1,280,938
Non-Current Liabilities		
Long-Term Debt, Less Current Maturities	1,066,143	1,125,466
Total Liabilities	2,131,269	2,406,404
Net Assets		
Unrestricted	8,937,360	8,249,932
Permanently Restricted	215,000	215,000
Total Net Assets	9,152,360	8,464,932
Total Liabilities and Net Assets	$ 11,283,629	$ 10,871,336

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

ACCESS HEALTH LOUISIANA
Statements of Operations and Changes in Net Assets
For the Years Ended February 28, 2014 and 2013

	2014	2013
Unrestricted Revenues, Gains and Other Support		
Patient Service Revenue (Net of Contractual Allowances and Discounts)	$ 13,152,648	$ 12,843,007
Less: Provision for Uncollectible Accounts	(1,020,716)	(770,095)
Net Patient Service Revenue less Provision for Uncollectible Accounts	12,131,932	12,072,912
Community Health Centers Grant Revenue	1,728,076	1,602,412
Other Grants and Contracts Revenue	3,194,124	2,333,181
Cooperative Endeavor Agreement Support	1,461,531	1,254,355
Donations	55,588	21,988
Other Revenues	925,061	604,833
Total Unrestricted Revenues, Gains and Other Support	19,496,312	17,889,681
Expenses		
Program Services	14,143,269	12,960,068
Management and General	4,918,566	3,753,944
Total Expenses	19,061,835	16,714,012
Excess of Revenue over Expenses	434,477	1,175,669
Grants for the Acquisition of Property and Equipment	252,951	328,467
Increase in Unrestricted Net Assets	687,428	1,504,136
Net Assets		
Beginning of Year	8,464,932	6,960,796
End of Year	$ 9,152,360	$ 8,464,932

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

ACCESS HEALTH LOUISIANA
Statements of Cash Flows
For the Years Ended February 28, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Change in Net Assets	$ 687,428	$ 1,504,136
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation and Amortization	594,586	448,051
Provision for Bad Debts	1,020,716	770,095
Loss on Disposal of Property and Equipment	140,763	-
(Increase) Decrease in Operating Assets		
Accounts Receivable	(893,841)	(237,427)
Other Receivables	(262,475)	339,974
Prepaid Expenses	1,119	110,129
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(49,480)	(546,208)
Accrued Expenses	(50,312)	(173,110)
Net Cash Provided by Operating Activities	1,188,504	2,215,640
Cash Flows from Investing Activities		
Additions to Property and Equipment	(460,692)	(711,215)
Net Change in Restricted Cash - Construction Escrow	59,130	230,422
Acquisition of Intangible Assets	-	(53,184)
Net Cash Used in Investing Activities	(401,562)	(533,977)
Cash Flows from Financing Activities		
Proceeds from Line of Credit	195,878	10,000
Payments on Line of Credit	(225,800)	(40,000)
Payments on Debt	(145,421)	(444,928)
Net Cash Used in Financing Activities	(175,343)	(474,928)
Increase in Cash and Cash Equivalents	611,599	1,206,735
Cash and Cash Equivalents		
Beginning of Year	2,018,036	811,301
End of Year	$ 2,629,635	$ 2,018,036
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	$ 29,792	$ 83,084

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

Note 1. Nature of Operations

Nature of Operations
Access Health Louisiana (AHL) is a Federally Qualified Health Center incorporated in the State of Louisiana as a non-profit organization that works to improve, promote and maintain the physical and emotional health of patients in the communities served, regardless of their ability to pay. AHL's individual clinic locations will operate under registered trade names reflective of the communities they serve. AHL recognizes patient service revenue for the provision of medical, behavioral, and dental health services through community health centers, school-based wellness centers, and specialty service clinics located in southeastern Louisiana across seven parishes, including Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. Tammany, and Washington Parishes. AHL's administrative offices are located in Kenner, Louisiana.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or grant is received, the amount is reported as unrestricted revenues. Accordingly, net assets of AHL and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets that are available for use, but expendable only for those purposes specified by the grantor.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained by AHL.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of AHL to make assumptions, estimates, and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. AHL considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances and a provision for doubtful accounts; and depreciable lives of property, plant and equipment. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable

AHL extends credit to patients, as well as to third-party intermediaries responsible for medical services provided to patients. In most cases, the amount collected is less than the amount billed. The balance in Patient Accounts Receivable is net of contractual adjustments and an allowance for doubtful accounts. The allowance for doubtful accounts is based upon a review of aging of outstanding receivables, historical collection information and existing economic conditions. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

For receivables associated with services provided to patients who have third-party coverage, AHL analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

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), AHL records a significant provision for bad debts in the period of services 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 or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

AHL’s allowance for uncollectible accounts was 64% of patient accounts receivable net of estimated contractual allowances at February 28, 2014, compared to 62% at 2013. All payer balances over 120 days have allowances ranging from 65% to 100% and balances over 120 days account for 65% and 66% of gross accounts receivable for the years ended February 28, 2014 and 2013, respectively.

Management has refined AHL’s allowance estimation process based upon historical collection analysis. Management has also continued to update AHL’s write off policies related to highly aged balances. During the year ended February 28, 2014, AHL began performing write-offs of aged balances greater than two years old, which were previously fully allowed for. Management anticipates that the allowance for doubtful accounts will decrease as write-offs of uncollectible accounts are processed. AHL’s process for determining the appropriate level of the allowance for doubtful accounts involves judgment, and considers such factors as the age of the underlying receivables, specific account reviews, historical collection experience, and other external factors that could affect the collectability of its receivables. Revisions to the allowance for doubtful accounts are recorded as an adjustment to bad debt expense. Recoveries of accounts receivable previously written off are recorded as a reduction of the provision for uncollectible accounts when received. AHL does not charge interest on past due accounts.

Note 2. Summary of Significant Accounting Policies (Continued)

Other Receivables
Other receivables principally include program service grants and fees which are uncollateralized funding source obligations and are stated at the invoice amount. These are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to other receivables.

Property and Equipment
AHL capitalizes fixed assets with costs of $1,000 or greater and useful lives of three years or more. Property and equipment are stated at cost. Donations of property and equipment are capitalized at the estimated fair value of the donation. AHL uses the straight-line depreciation method over the estimated useful lives of the assets ranging from 5 to 40 years.

Intangible Assets
The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic *Intangibles - Goodwill and Other* addresses the initial recognition and measurement of intangible assets acquired outside a business combination and the recognition and measurement of goodwill and other intangible assets subsequent to their acquisition. In accordance with this Topic, intangible assets that have an indefinite useful life are not amortized, but rather are subject to an impairment test. Intangible assets that have a finite useful life are amortized over the asset's estimated useful life. Amortization is calculated using the straight-line method unless another method better reflects the pattern of consumption of the economic benefits of the intangible asset.

Long-Lived Asset Impairment
AHL evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended February 28, 2014 and 2013.

Note 2. Summary of Significant Accounting Policies (Continued)

Grant Revenue and Funding Source

Grants are recognized as revenue when earned. Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met. AHL receives funds from the United States Department of Health and Human Services (DHHS) through the Health Resources and Services Administration. 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 AHL with the terms of the grants. In addition, if AHL terminates the activities of the grants, all unexpended federal funds are to be returned to DHHS. The grant agreement requires AHL to provide primary healthcare to all requesting individuals; however, the amount an individual actually pays is based on the individual's personal income.

Net Patient Service Revenue

AHL has agreements with third-party payers that provide for payments to AHL 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 amount from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment. AHL will deduct from revenue any amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments are possible; however, the outcome of such assessments is unknown and cannot be reasonably estimated.

Charity Care

In the ordinary course of business, AHL renders services to patients who are financially unable to pay for medical care. AHL provides care to these patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Charity care eligibility is based on limited or no insurance coverage, income compared to published poverty levels and family size, as well as other factors. Because AHL does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Note 2. Summary of Significant Accounting Policies (Continued)

Charity Care (Continued)
AHL maintains records to identify and monitor the level of charity care it provides. Charity care is measured based on AHL's estimated direct and indirect costs of providing charity care services. That estimate is made by multiplying the amount of charges forgone by the estimated cost to charge ratio. The cost of charity care provided during the years ended February 28, 2014 and 2013, was estimated as $987,000 and $882,000 respectively.

Support and Revenue
All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, AHL reports the support as unrestricted. Otherwise, when a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions.

Income Taxes
AHL is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, AHL is subject to federal income tax on any unrelated business taxable income.

AHL follows the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC. All tax returns have been appropriately filed by AHL. AHL recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. AHL's tax filings are subject to audit by various taxing authorities. AHL's federal tax returns for the years ended February 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed. As of February 28, 2014, management evaluated AHL's tax position and concluded that AHL has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Non-Direct Response Advertising
AHL expenses advertising costs as incurred. Advertising expenses amounted to $41,403 and $46,200 for the years ended February 28, 2014 and 2013, respectively.

Compensated Absences
Employees of AHL are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of Accrued Expenses on AHL's Statement of Financial Position was $264,992 and $262,239, as of February 28, 2014 and 2013, respectively.

Cash and Cash Equivalents
For purposes of the statements of cash flows, AHL considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Note 2. Summary of Significant Accounting Policies (Continued)

Restricted Cash

In accordance with FASB ASC 954, cash restricted for certain purposes is reported separately from cash and cash equivalents. Restricted cash on AHL's statement of financial position as of February 28, 2014 represents the balance in an escrow account that is designated for principal and interest due on a note payable with AHL's bank. Restricted cash on AHL's statement of financial position as of February 28, 2013 represents the balance of escrowed construction loan proceeds as of that date. The construction loan proceeds were released from restriction in June 2013. Restricted cash totaled $230,746 and $289,876 as of February 28, 2014 and 2013, respectively.

Excess of Revenues Over Expenses

The statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions and grants of long-lived assets (including assets acquired using contributions or grants which by donor or granting agency restriction were to be used for the purpose of acquiring such assets).

Reclassifications

Certain comparative balances for the year ended February 28, 2013 have been reclassified to make them consistent with the current year presentation. As a result, certain footnotes have been modified to reflect these reclassifications. The reclassifications had no effect on the change in net assets for February 28, 2013.

Note 3. Property and Equipment

Property and equipment consists of the following as of February 28, 2014 and 2013:

	2014	2013
Property and Equipment		
Land	**$ 219,620**	$ 219,620
Buildings and Improvements	**5,789,585**	5,930,763
Office Equipment	**1,226,074**	1,150,832
Medical Equipment	**636,146**	612,268
Vehicles	**74,804**	74,804
Leasehold Improvements	**421,785**	311,734
Total Property and Equipment	**8,368,014**	8,300,021
Less: Accumulated Depreciation	**(1,719,341)**	(1,174,241)
	6,648,673	7,125,780
Construction in Progress	**252,951**	17,193
Total Property and Equipment, Net	**$ 6,901,624**	$ 7,142,973

Total depreciation expense for the years ended February 28, 2014 and 2013 was $552,252 and $378,245, respectively.

Note 3. Property and Equipment (Continued)

The construction in progress reflected in the schedule above principally represents building costs associated with renovation of a leased property. The renovations are expected to be completed during the fiscal year ending February 28, 2015. AHL recognized grant proceeds of $252,951 during the year ended February 28, 2014, to fund a portion of these costs.

Note 4. Intangible Assets

AHL has entered into practice acquisition agreements to acquire the previous practices of certain physicians who became employees of AHL upon the purchase of the practice. Intangible assets acquired in these acquisitions have typically been associated with medical records and non-compete agreements.

AHL's intangible assets consisted of the following at February 28, 2014 and 2013:

	2014	2013
Practice Acquisition Intangibles		
Asset Cost	**$ 180,000**	$ 227,413
Accumulated Amortization	**(132,506)**	(146,611)
Total	**$ 47,494**	$ 80,802

AHL begins amortization of the intangible costs at the time of acquisition of the practice. Amortization expense totaled $33,308 and $69,806 for the years ended February 28, 2014 and 2013, respectively. Future amortization expense, as of February 28, 2014 was as follows:

Year Ending February 28,	**Amount**
2015	$ 15,000
2016	15,000
2017	15,000
2018	2,494
Total	$ 47,494

Note 5. Line of Credit

AHL has a line of credit of $400,000, with an interest rate of 5.75%, maturing March, 2015. At February 28, 2014 and 2013, AHL's outstanding balance was $-0- and $29,922, respectively. This line of credit is secured by AHL's accounts receivable.

Note 6. Long-Term Debt

Details of AHL's long and short-term debt obligations are as follows:

	2014	2013
Term Loan - First American Bank - Payable in annual installments of $191,667, including variable interest based on the prime rate, secured by property and equipment, accounts receivable, and future pledged ad valorem tax revenue, maturing March 2017.	**$ 766,667**	$ 766,667
Note Payable - USDA - Payable in monthly installments of $2,090, including interest at 4%, secured by the building at 853 Milling Avenue in Luling, LA, maturing April 2050.	**479,012**	484,801
Note Payable - SBHC - Payable in monthly installments of $7,295, including interest at 3.25%, maturing June 2015.	**71,454**	123,051
Term Loan - First American Bank - Payable in monthly installments of $2,500, including interest at 6.5% with a balloon payment of $86,269, collateralized by modular offices, maturing June 2013.	**-**	88,035
	1,317,133	1,462,554
Less: Current Maturities	**(250,990)**	(337,088)
Long-Term Debt	**$ 1,066,143**	$ 1,125,466

Maturities by year for AHL's long and short-term debt instruments detailed above are as follows:

Year Ended February 28,	Amount
2015	$ 250,990
2016	216,092
2017	198,192
2018	198,458
2019	7,068
Thereafter	446,333
Total	$ 1,317,133

AHL incurred $68,671 and $83,084, in interest on financed obligations, for the years ended February 28, 2014 and 2013, respectively. Accrued interest payable totaled $39,079 and $-0- for the years ended February 28, 2014 and 2013, respectively, and is included in accrued expenses.

Note 7. Restrictions on Net Assets

Permanently restricted net assets consist of donated land, recognized at the estimated fair value of $215,000. The land is to be used in perpetuity for the purpose of housing a community health center in Norco, LA.

Note 8. Net Patient Service Revenue

AHL recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of estimated contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, AHL recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of AHL's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus, AHL records a significant provision for uncollectible accounts related to these patients in the period the services are provided. This provision for uncollectible accounts is presented in the statements of operations and changes in net assets as a component of net patient service revenue.

AHL is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. AHL has agreements with third-party payers that provide for payments at amounts different from AHL's established rates. These payment arrangements are as follows:

Medicare – Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. AHL is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by AHL and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid – Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. AHL is reimbursed a set encounter rate for all services under the plan. Services not covered under the FQHC benefit are paid based on established fee schedules.

Laws and regulations governing these programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

AHL has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

Note 8. Net Patient Service Revenue (Continued)

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended February 28, 2014 and 2013, respectively, is as follows:

	2014	2013
Medicaid and KidMed	$ 5,875,107	$ 6,121,823
Other Governmental Programs	3,209,459	2,143,503
Commercial	1,047,760	1,803,830
Private Pay	1,993,043	1,593,412
Medicare	1,027,279	1,180,439
Total	**$ 13,152,648**	$ 12,843,007

Note 9. Cooperative Endeavor Agreements

Under a cooperative endeavor agreement with St. Charles Parish, AHL provides accessible healthcare services for residents of St. Charles Parish in exchange for the use of a Parish-owned building and direct financial support from the proceeds of ad valorem taxes via lump sum payments, less deductions for certain costs associated with the Parish owned facilities provided. The current agreement terminates in December 2020.

Under multiple cooperative endeavor agreements with St. Tammany Parish, AHL provides primary medical care, behavioral/mental health, and other FQHC-related services to the public in the Slidell area. AHL also operates a pediatric practice, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program, and a suicide prevention program with the St. Tammany Parish Hospital District. In exchange, AHL is provided the use of operating space in the hospital's Wellness Pavilion via a cooperative endeavor agreement. The agreement terminates in May 2016.

Under a cooperative endeavor agreement with St. Tammany Parish, AHL operates and provides primary medical care, behavioral/mental health, and other FQHC-related services to the public in the Covington area. Under this agreement, AHL also donated a modular building to St. Tammany Parish from which AHL operates this clinic. In exchange, AHL is provided the use of operating space in St. Tammany Parish's Fair Grounds Annex Building as well as the building donated by AHL to St. Tammany Parish via a cooperative endeavor agreement. The agreement terminates in April 2016.

Note 9. Cooperative Endeavor Agreements (Continued)

Under a cooperative endeavor agreement with St. Bernard Parish, AHL provides accessible healthcare services for residents of St. Bernard Parish in exchange for the use of Parish-owned trailers and portable buildings and improvements. During the year ended February 28, 2013, the agreement terminated due to the opening of the hospital under the St. Bernard Hospital Service District, and a new similar agreement was signed for office space in the medical office building adjacent to the new hospital. The new agreement terminates in December 2016.

During the year ended February 28, 2014, AHL entered into a transfer and affiliation agreement with a local university, whereby AHL is responsible for administration of a clinic associated with the university's medical center. In exchange, AHL is provided use of the clinic space at no charge. To ease the financial burden of the clinic's administrative transition, AHL also receives financial assistance related to the clinic's losses, should they occur, not to exceed $250,000 and $400,000 for the calendar year 2014 and 2013, respectively. This assistance is based on a calculation of allowable and unallowable costs. The agreement terminates in March 2018.

Revenues earned as exchange transactions under these cooperative endeavor agreements, along with the corresponding program expenses, are reflected in the statements of operations and changes in net assets.

During the fiscal years ended February 28, 2014 and 2013, AHL recognized the following support in its financial statements associated with the agreements:

	2014	2013
Estimated Lump Sum Payments Received or Receivable from St. Charles Parish	**$ 660,200**	$ 592,956
Use of Operating Space Owned by Various Parish Governments	**801,331**	661,399
Total Cooperative Endeavor Support	**$ 1,461,531**	$ 1,254,355

Note 10. Commitments, Concentrations, and Contingencies

Lease Commitments

AHL has entered into various long-term and month-to-month lease agreements for office space in a variety of Louisiana cities and towns, including Kenner, St. Rose, Belle Chase, Luling, New Orleans, and Bogalusa. The term of the leases range from 6 to 36 months and expire through December 2014. AHL is currently committed to monthly payments totaling $24,413 under these leases.

Note 10. Commitments, Concentrations, and Contingencies (Continued)

Lease Commitments (Continued)

AHL has entered into various lease agreement for office equipment. The term of the leases range from 36 to 60 months and expire through April 2017. AHL is committed to monthly payments totaling $4,607 under these leases.

The following is a schedule of future minimum lease payments as of February 28:

2015	$ 107,385
2016	53,737
2017	1,712
2018	143
Total	$ 162,977

Concentrations of Credit Risk

AHL grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers as of February 28, 2014 and February 28, 2013, was as follows:

	Percent	
Payor	**2014**	2013
Medicaid	**28%**	28%
Medicare	**12%**	13%
Patients	**36%**	38%
Managed Care and Other Third-Party Payors	**24%**	21%
Total	**100%**	100%

Additionally, grants from two agencies comprised 26% AHL's total unrestricted revenue and support during the fiscal year ended February 28, 2014. Grants from two agencies comprised 27% AHL's total unrestricted revenue and support during the fiscal year ended February 28, 2013.

AHL 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 AHL.

AHL periodically maintains cash in bank accounts in excess of federally insured limits. AHL has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 10. Commitments, Concentrations, and Contingencies (Continued)

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

Violations of these laws and regulations could result in exclusion from government healthcare program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While AHL is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on AHL's financial position.

Economic Conditions

Current local and national economic conditions have created challenges for not-for-profit healthcare organizations including rising costs, and declines in contributions. Rising unemployment rates have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the AHL's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program. Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in future adjustments to the allowances for accounts and contributions receivable that could negatively impact AHL. The financial statements have been prepared using values and information currently available to AHL.

Risk Management

Effective August 13, 2003, The U.S. Department of Health and Human Services deemed the Organization and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon AHL's claim experience, no such accrual has been made. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

Note 10. Commitments, Concentrations, and Contingencies (Continued)

Construction Agreement

AHL has entered into an agreement for construction of renovations on a leased building for a total contracted value of $424,836. Construction is currently expected to be completed during the year ended February 28, 2015. Future obligations under this agreement are currently estimated to be $192,744.

Note 11. Retirement Plan

AHL maintains a defined contribution retirement plan under IRS Code Section 403(b). AHL matches 100% of an employee's salary deferral contributions up to 4%. In addition to the elective deferrals made by employees, these matching contributions totaling $135,575 and $156,892, for the years ended February 28, 2014 and 2013, respectively, were made by AHL.

Note 12. Related Party Transactions

A member of the AHL board of directors is an owner of a pharmacy contracted with AHL through a third party administrator for the 340B Drug Pricing Program of the Department of Health and Human Services.

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 17, 2014, and determined that the follow events merit disclosure:

During March 2014, AHL entered into mortgage agreement for the purchase of an administrative building in Kenner, Louisiana for $920,000, plus certain closing costs. AHL financed $736,000 of the purchase. The terms of the loan include monthly payments of principle and interest $4,785 with an interest rate of 4.75%. The loan matures in March 2034.

No subsequent events occurring after the date above have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

ACCESS HEALTH LOUISIANA
Schedule of Functional Expenses
For the Year Ended February 28, 2014

	Program Services	Management and General	Total
Salaries and Wages	$ 7,546,666	$ 2,031,581	$ 9,578,247
Benefits and Payroll Taxes	1,991,267	679,441	2,670,708
Contractual Services	1,271,742	727,930	1,999,672
Rent	1,004,476	67,572	1,072,048
Other	313,244	455,689	768,933
Depreciation and Amortization	33,308	561,278	594,586
Pharmaceuticals	539,923	-	539,923
Maintenance	278,101	53,790	331,891
Insurance	204,154	35,283	239,437
Laboratory	237,889	-	237,889
Travel	99,856	136,665	236,521
Patient Supplies	228,824	-	228,824
Communications	136,390	49,790	186,180
Utilities	144,032	12,997	157,029
Supplies	53,791	29,444	83,235
Printing and Shipping	16,799	34,039	50,838
Dues and Memberships	12,697	31,774	44,471
Advertising	30,110	11,293	41,403
Total Expenses	$ 14,143,269	$ 4,918,566	$ 19,061,835

See independent auditor’s report.

ACCESS HEALTH LOUISIANA, INC.
Schedule of Functional Expenses
For the Year Ended February 28, 2013

	Program Services	Management and General	Total
Salaries and Wages	$ 7,625,626	$ 1,713,304	$ 9,338,930
Benefits and Payroll Taxes	1,943,108	531,449	2,474,557
Contractual Services	795,797	608,258	1,404,055
Rent	837,371	17,849	855,220
Depreciation and Amortization	69,806	378,245	448,051
Other	248,612	164,713	413,325
Pharmaceuticals	376,680	-	376,680
Maintenance	170,930	54,172	225,102
Patient Supplies	207,546	-	207,546
Insurance	134,372	54,242	188,614
Utilities	144,660	15,092	159,752
Communications	105,337	39,706	145,043
Travel	70,871	72,623	143,494
Laboratory	138,314	-	138,314
Supplies	33,410	31,635	65,045
Dues and Memberships	9,370	37,450	46,820
Advertising	39,890	6,310	46,200
Printing and Shipping	8,368	28,896	37,264
Total Expenses	$ 12,960,068	$ 3,753,944	$ 16,714,012

See independent auditor's report.

OMB CIRCULAR A-133 SECTION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDITOF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the Board of Directors
Access Health 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 Access Health Louisiana (AHL), which comprise the statement of financial position as of February 28, 2014 and 2013, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 17, 2014.

Internal Control Over Financial Reporting
In planning and performing our audits of the financial statements, we considered AHL'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AHL's internal control. Accordingly, we do not express an opinion on the effectiveness AHL'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 AHL's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
July 17, 2014

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

To the Board of Directors
Access Health Louisiana

Report on Compliance for Each Major Federal Program
We have audited Access Health Louisiana's. (AHL's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of AHL's major federal programs for the year ended February 28, 2014. AHL'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of AHL'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about AHL'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 on AHL's compliance.

Opinion on Each Major Federal Program
In our opinion, AHL 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 February 28, 2014.

Report on Internal Control Over Compliance
Management of AHL 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 AHL'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AHL'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 a 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of AHL as of and for the year ended February 28, 2014, and have issued our report thereon dated July 17, 2014, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations,* 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

LaPorte

A Professional Accounting Corporation

Metairie, LA
July 17, 2014

ACCESS HEALTH LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended February 28, 2014

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity No.	Federal Expenditures
U.S. Department of Health and Human Services			
Direct Award:			
Community Health Centers Program	93.224	NA	$ 1,728,078
Affordable Care Act Grants for Capital Development in Health Centers	93.526	NA	252,951
Total U.S. Department of Health and Human Services			1,981,029
U.S. Department of Agriculture			
Passed through State of LA Department of Health and Hospitals, Office of Public Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	NA	739,188
Total U.S. Department of Agriculture			739,188
Total Expenditures of Federal Awards			$ 2,720,217

CFDA = Catalog of Federal Domestic Assistance

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Access Health Louisiana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Note 2. Subrecipients

There were no payments to subrecipients for the fiscal year ended February 28, 2014.

ACCESS HEALTH LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ended February 28, 2014

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness identified?	____ Yes	X No
• Significant deficiency identified that is not considered to be a material weakness?	____ Yes	X None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:

• Material weakness identified?	____ Yes	X No
• Significant deficiency identified that is not considered to be a material weakness?	____ 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 section 510(a) of Circular A-133?	____ Yes	X No

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
93.224	Department of Health and Human Services, Community Health Centers Program
93.526	Affordable Care Act Grants for Capital Development in Health Centers

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

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

II. Findings Related to the Basic Financial Statements

None.

III. Findings and Questioned Costs for Federal Awards

None.

II. Findings Related to the Basic Financial Statements

13-01 – Logical Access Restrictions Regarding Patient Accounts Receivable

Condition: In the process of evaluating the design of internal controls over cash receipts at the clinic sites, we noted that the front desk clerk handling cash and check payments from patients also has access to making direct adjustments to patient accounts.

Recommendation: We recommend that management work with its information technology staff to restrict the front desk clerks' access to making direct adjustments to patient accounts, thereby creating adequate logical access restrictions.

Current Status: Resolved.

13-02 – Delayed Bank Deposit went Unreported

Condition: In the process of performing our audit, an employee indicated that a cash deposit was not made or not made timely. Upon investigation, we noted that an employee had misplaced a daily bank deposit from one of its clinic sites, and that the event was detected by certain employees but was not reported to management.

Recommendation: We emphasize that AHL should record all cash receipts in the general ledger when the daily cash reconciliations come in from the individual clinics. Subsequently, if a deposit should become lost or stolen, it would be evident in the bank reconciliation process because it would appear as an outstanding item. Further, we recommend a member of management (independent from the preparation) inspect and initial the monthly bank reconciliations, being sure to review for recurring reconciling items. Lastly, we recommend that AHL work to ensure the employees are more aware of the anonymous ethics and compliance hotline and management's support for the use of the hotline. This can be achieved in many ways, but includes frequent verbal and written communication regarding the hotline and more prominently displaying this information in employee common areas.

Current Status: Resolved.

III. Findings and Questioned Costs for Federal Awards

None.