

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011**

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INDEPENDENT AUDITORS' REPORT

February 28, 2013

To the Board of Directors
Primary Care Providers For A Healthy Feliciana, Inc.
Clinton, Louisiana

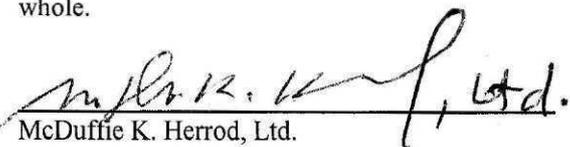
We have audited the accompanying statements of financial position of Primary Care Providers For A Healthy Feliciana, Inc. (a non-profit organization) as of August 31, 2011 and 2012, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Primary Care Providers For A Healthy Feliciana, Inc. as of August 31, 2011 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2013, on our consideration of Primary Care Providers for a Healthy Feliciana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses listed in the table of contents 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 is presented for purposes of additional analysis as required by U.S. 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 information is fairly stated in all material respects in relation to the financial statements as a whole.


McDuffie K. Herrod, Ltd.
A Professional Accounting Corporation

FINANCIAL STATEMENTS

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 199,813	\$ 718,657
Accounts receivable- net	680,436	382,397
Investments	75,412	92,189
Property and equipment- net	6,406,020	6,481,672
Prepaid expenses	48,851	3,262
Restricted assets:		
Cash and cash equivalents	284,727	281,265
 Total Current Assets/Total Assets	 <u>\$ 7,695,259</u>	 <u>\$ 7,959,442</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 148,341	\$ 197,311
Accrued expenses	216,680	416,197
Notes payable	4,908,818	4,873,894
 Total Liabilities	 <u>\$ 5,273,839</u>	 <u>\$ 5,487,402</u>
 Net Assets		
Unrestricted net assets	\$ 2,136,693	\$ 2,190,775
Temporarily restricted net assets:		
Certificates of deposit	284,727	281,265
 Total net assets	 <u>\$ 2,421,420</u>	 <u>\$ 2,472,040</u>
 Total Liabilities and Net Assets	 <u>\$ 7,695,259</u>	 <u>\$ 7,959,442</u>

See Accompanying Notes and Auditor's Report

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

<u>UNRESTRICTED NET ASSETS</u>	<u>2012</u>	<u>2011</u>
SUPPORT AND REVENUES		
Medicare and Medicaid revenues	\$ 5,303,008	\$ 3,223,755
Medicare settlement revenue	2,613	13,288
Patient revenue contractual adjustments	(3,291,315)	(2,009,386)
Grants- FQHC revenues	2,072,307	1,945,304
Grants- Increase Services to Health Centers	-	71,627
Grants- other	48,625	50,231
School-based care grant revenues	130,073	142,960
Grants-other school based care grants	429,651	
Private patient revenues	2,178,805	1,370,687
LCPA - FEI project reimbursements	-	261,555
Drug Program revenues	62,774	62,186
Medicaid/DHH Incentive Program Revenues	45,850	377,324
Contributions- unrestricted	19,980	31,621
Fundraiser revenues	-	1,050
Miscellaneous income	19,561	143,991
	<u>\$ 7,021,932</u>	<u>\$ 5,686,193</u>
EXPENSES		
Program Services		
Salaries- medical and clerical personnel	3,306,037	3,336,496
Payroll taxes and costs	264,378	271,455
Medical Director costs	13,385	17,903
Medical supplies	244,826	234,315
Clinic building expenses	717,952	619,303
Other program service costs	403,549	
	<u>\$ 4,950,127</u>	<u>\$ 4,479,472</u>

See Accompanying Notes and Auditor's Report

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
STATEMENT OF ACTIVITIES (Continued)
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

Supporting Services	<u>2012</u>	<u>2011</u>
General & Administrative	<u>\$ 2,122,425</u>	<u>\$ 1,154,949</u>
Total Expenses	<u>7,072,552</u>	<u>5,634,421</u>
INCREASE(DECREASE) IN NET ASSETS	<u>\$ (50,620)</u>	<u>\$ 51,772</u>
NET ASSETS AT BEGINNING OF PERIOD	<u>2,472,040</u>	<u>2,420,268</u>
NET ASSETS AT END OF PERIOD	<u><u>\$ 2,421,420</u></u>	<u><u>\$ 2,472,040</u></u>

See Accompanying Notes and Auditor's Report

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase(decrease) in net assets	\$ (50,620)	\$ 51,772
Adjustments to reconcile changes in net assets to net cash provided(used) by operating activities:		
Depreciation	160,472	183,970
(Increase)decrease in operating assets		
Accounts receivable	(298,039)	7,999
Prepaid expenses	(45,589)	5,786
Increase(decrease) in operating liabilities		
Accounts payable	(48,970)	125,960
Accrued expenses	(199,518)	(61,634)
Net Cash Provided(Used) by Operating Activities	\$ (482,264)	\$ 313,853
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(386,508)	(956,371)
Interest earned on investments	(4,662)	(1,189)
Net Cash Provided(Used) by Investing Activities	\$ (391,170)	\$ (957,560)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank loans	478,432	590,950
Principal payments on notes payable	(120,380)	(105,866)
Net Cash Provided(Used) by Financing Activities	\$ 358,052	\$ 485,084
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(515,382)	(158,623)

See Accompanying Notes and Auditor's Report

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
STATEMENT OF CASH FLOWS (continued)
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>999,922</u>	<u>1,158,545</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 484,540</u>	<u>\$ 999,922</u>

Supplemental Disclosure of Cash Flow Information:

Non-capitalized interest paid for fiscal year ended 8/31/2012 totaled \$1,565.

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC. was formed on August 6, 1998, for the purpose of operating and maintaining a non-profit medical clinic, known as RKM Primary Care, and other related activities, including participation in the Louisiana Department of Health and Hospitals, Office of Public Health's Adolescent and School Health Program. The corporation is located in Clinton, Louisiana. It is governed by a thirteen member board whose policies are administered by the executive director. The corporation is supported primarily through fees for services paid by patients, Medicare, Medicaid and private insurance companies. Other support is derived from donations and grants. In September of 2005, the corporation was granted status as a Federally Qualified Health Center. In addition to its main clinic location operated as "RKM Primary Care" in Clinton, Louisiana, the corporation also operates six other sites located in East Feliciana Parish, and East and West Baton Rouge Parishes. Also, Behavioral Health Services are offered in ten schools in Livingston Parish and in four schools in West Baton Rouge Parish.

The significant accounting policies are as follows:

Method of Accounting

The financial statements of PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC. are presented on the accrual basis of accounting.

Financial Statement Presentation

The organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-For-Profit Organizations*" (now FASB ASC 958). Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the organization is required to present a statement of cash flows.

Contributions

The corporation also elected to adopt SFAS No. 116, "*Accounting for Contributions Received and Contributions Made*". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time and purpose of the restriction.

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.

Income Taxes

The corporation is a not-for-profit corporation that is exempt from federal and state income taxes, under Internal Revenue Code section 501(c)(3).

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid investments unrestricted for current use with initial maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment purchased by the corporation are recorded at cost. They are depreciated using the straight-line method over the estimated useful lives of the assets. Equipment expected to be used for a period extending over one or more years is capitalized. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support 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 Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Receivables

Receivables are recorded at net realizable value. They are written off in full when it is determined that the unpaid balance is not collectible.

NOTE 2 - CASH AND CASH EQUIVALENTS

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Demand deposits	\$ 198,763	\$ 284,727	\$ 483,490
Petty Cash	\$ 1,050	\$ -	\$ 1,050
	<u>\$ 199,813</u>	<u>\$ 284,727</u>	<u>\$ 484,540</u>

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment is composed of the following:

<u>Item</u>	<u>Beginning Balance</u>	<u>Net Additions</u>	<u>Ending Balance</u>
Medical Equipment	\$ 880,874	93,877	974,751
Office Furniture & Equipment	849,114	22,460	871,574
Land & Buildings	<u>6,146,337</u>	<u>274,833</u>	<u>6,421,170</u>
	<u>7,876,325</u>	<u>391,170</u>	<u>8,267,495</u>
Less: Accumulated Depreciation			(1,861,475)
Net Book Value			<u><u>6,406,020</u></u>

Depreciation expense for the year ended August 31, 2012 was \$160,472.

NOTE 4 – MEDICARE COST REPORTING

The corporation is required to file a Medicare cost report annually. The total due from Medicare at the end of the year was \$7,050. A Medicaid cost report is not filed presently; however, Medicaid receives a copy of the Medicare cost report.

NOTE 5 - NOTES PAYABLE

The corporation is currently making payments on six loans that were executed for construction of the new building (see note number 6), purchase of equipment, and for working capital needs. The interest rate varies between 3.38% and 5.15% on the notes. The principal portion of the notes for the next five years is as follows:

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

NOTE 5 - NOTES PAYABLE, continued

<u>Fiscal Year Ending</u>	<u>Balance</u>
08/31/13	\$ 32,950
08/31/14	34,308
08/31/15	35,725
08/31/16	38,082
08/31/17	39,674
Remaining years	<u>4,728,079</u>
	<u>\$4,908,818</u>

NOTE 6 – CAPITAL OUTLAY FINANCING ARRANGEMENTS FOR NEW FACILITY

In May 2009 the corporation entered into a funding transaction consisting of leveraged grant funding, direct loans, and a New Market Tax Credit (NMTC) loan totaling \$4,260,324. The sources of this financing include:

Louisiana Primary Care Association (LPCA) - \$1,904,957: In 2008, State of Louisiana appropriated \$41,000,000 for community health centers to fund the Facility Expansion Initiative. The State entered into a cooperative endeavor agreement with LPCA for the administering of those funds. Through an application process projects were awarded in amounts totaling no more than 40.5% of the total project cost. The state awarded these projects with the expectation they be used to leverage additional funds.

US Bancorp via a direct loan to CapLink CDE - \$989,610: At the conclusion of transaction between the corporation and CapLink, CDE, US Bancorp agreed to purchase \$989,610 in federal tax credits which in turn would be invested in the CDE. At the conclusion of the seven-year credit benefit year, US Bancorp can choose to leave the transaction and move the amount of the credits to the company in the form of “put money” and forgive this amount of debt thereby creating equity in the investment.

CapLink, CDE - \$1,365,757: This loan is a direct loan to the corporation as well and should be the amount of “hard debt” left to refinance at the end of the seven year NMTC investment period.

Because of this financing structure and the use of leveraged funds, the effective rate of interest for the first seven years is 3.466%.

NOTE 7 – STAFFING - EMPLOYEES

The corporation’s staff is compensated by a payroll processing service, who handles all aspects of the payroll, including related taxes. The Organization manages the health and other insurance plans itself. The health reimbursement accounts and flexible spending accounts for the employees are managed by Medcom. The corporation pays fees to cover all related costs directly to the service companies.

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

NOTE 8 – SCHOOL-BASED PROGRAMS

Effective November 1, 1999, the corporation entered into a contract with the Louisiana Department of Health and Hospitals to provide on-site medical services to students in the school health center at Clinton Middle School. For the fiscal year, the contract provided funding for the program of \$130,073. Expenditures under this program included \$189,200 paid with grant revenue, with additional expenditures being funded by patient generated income, most of which is Medicaid. Expenditures for the program, including overhead, totaled \$401,831.41.

The corporation operates similar programs at East Feliciana High School, Slaughter Elementary School and Clinton Lower Elementary School. All were funded in August, 2008 as Federally Qualified Health Centers by the Human Resources and Services Administration as New Access Points. In addition to the federal grants, other funds are received from Medicaid, private insurance companies, and state grants.

The East Feliciana Parish School Board provides utilities at all school-based sites. In addition, it provides space for the clinics at the East Feliciana High School and Slaughter Elementary School sites.

Expenditures under all of these programs include:

Administrative & Supplies	\$ 936,169
Salaries & Wages	<u>2,122,228</u>
Total Expended	<u>\$3,058,397</u>

NOTE 9 - LIQUIDITY OF ASSETS AND LIABILITIES

The liquidity of the corporation's current assets and liabilities is as follows:

Cash and cash equivalents- unrestricted	\$ 199,813
Accounts receivable-net	<u>680,436</u>
Total Current Assets	<u>\$ 880,249</u>
Accounts payable	148,341
Accrued expenses	216,680
Notes payable, current portion	<u>32,950</u>
Total Current Liabilities	<u>\$ 397,971</u>
Surplus	<u>\$ 482,278</u>

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

NOTE 10 - DONATED SERVICES

The corporation occasionally receives donated services from various unpaid volunteers assisting in the general operations and management. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts under SFAS no. 116 have not been satisfied.

NOTE 11 - SUBSEQUENT EVENTS

There were no subsequent events that came to my attention that would materially impact the accompanying financial statements.

NOTE 12 - FUNCTIONAL EXPENSES

The costs of providing the program and supporting services have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services.

NOTE 13 - RESTRICTED ASSETS

Cash and cash equivalents restricted consist of certificate of deposit accounts. The certificates of deposit are held as security for a line of credit that is used for payment of operating expenses.

SUPPLEMENTAL INFORMATION

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2012

<u>Account Name</u>	<u>Program</u>	<u>Supporting</u>
Accounting, auditing and professional fees		\$52,319
Advertising	36,380	
Auto expense	7,277	
Bank charges		951
Building operating costs	717,951	
Computer processing and billing costs		38,299
Continuing education		
Contract services	87,643	
Depreciation - equipment		160,472
Donations		2,930
Dues and subscriptions		23,024
Employee benefits		308,217
Employee retirement		56,768
Repairs and maintenance		188,694
Insurance expense		16,845
Interest expense		1,565
Licenses and permits		33,486
Meals and entertainment	8,138	536
Medical director	13,385	
Medical supplies	244,826	
Minor Equipment	66,882	
Office supplies and expense		33,512
Payroll costs and taxes	264,378	66,095
Postage and freight		11,292
Printing and copying		50,798
Rental Expense		68,506
Salaries and wages	3,306,037	826,509
Software Supplies		4,345
Supplies		26,736
Telephone expense	197,230	33,461
Travel expense		66,652
Waste disposal		22,715
Other Expense		27,698
Totals	\$4,950,127	\$2,122,425

See Accompanying Notes and Accountant's Report

PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U. S. Department of Health and Human Services Health Resources and Services Administration Federally Qualified Health Center Grant	93.224	\$ 2,072,307
U. S. Department of Health and Human Services Affordable Care Act Grants for School Based Health Centers Capital Program	93.501	\$ 367,388

State of Louisiana Grants

<u>Grantor/Pass-through Grantor Program Title</u>	<u>Expenditures</u>
Department of Health and Hospitals Adolescent School Health Program	\$ 130,073
Department of Health and Hospitals Asthma Chronic Prevention Management Program	\$ 30,779

See Accompanying Notes and Accountant's Report

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

February 28, 2013

To the Board of Directors
Primary Care Providers For A Healthy Feliciana, Inc.
Clinton, Louisiana

We have audited the financial statements of Primary Care Providers For A Healthy Feliciana, Inc (a nonprofit organization) as of and for the years ended August 31, 2011 and 2012 and have issued our report thereon dated February 28, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Primary Care Providers For A Healthy Feliciana, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Primary Care Providers For A Healthy Feliciana, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Primary Care Providers For A Healthy Feliciano, Inc.'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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

February 28, 2013

To the Board of Directors
Primary Care Providers For A Healthy Feliciana, Inc.
Clinton, Louisiana

Compliance

We have audited the compliance of Primary Care Providers For A Healthy Feliciana, Inc. (a nonprofit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended August 31, 2011 and 2012. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of Primary Care Providers For A Healthy Feliciana, Inc.'s management. Our responsibility is to express an opinion on Primary Care Providers For A Healthy Feliciana, Inc.'s compliance based on our audits.

We conducted our audits 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 audits 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about Primary Care Providers For A Healthy Feliciana, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Primary Care Providers For A Healthy Feliciana, Inc.'s compliance with those requirements.

In our opinion, Primary Care Providers For A Healthy Feliciana, Inc. complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the years ended August 31, 2011 and 2012.

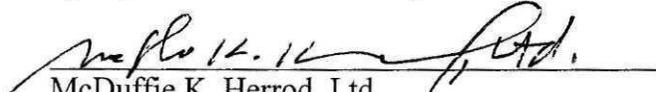
Internal Control Over Compliance

The management of Primary Care Providers For A Healthy Feliciano, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audits, we considered Primary Care Providers For A Healthy Feliciano, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Primary Care Providers For A Healthy Feliciano, 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.

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 that might be deficiencies, significant deficiencies or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


McDuffie K. Herrod, Ltd.
A Professional Accounting Corporation

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Primary Care Providers For A Healthy Feliciano, Inc.
2. No material weaknesses were identified during the audits of the financial statements.
3. No instances of noncompliance material to the financial statements of Primary Care Providers For A Healthy Feliciano, Inc. were disclosed during the audits.
4. No material weaknesses were identified during the audits of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Primary Care Providers For A Healthy Feliciano, Inc. expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: U. S. Department of Health and Human Services - Health Resources and Services Administration Federally Qualified Health Center Grant (93.224), and U. S. Department of Health and Human Services - Health Resources and Services Administration Affordable Care Act Grants for School Based Health Centers Capital Program (93.501).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Primary Care Providers For A Healthy Feliciano, Inc. qualified as a low-risk auditee.

FINDINGS-FINANCIAL STATEMENTS AUDIT

Current Period Findings:

None.

Prior Period Finding:

Finding 2011-1: Louisiana Revised Statute 24-513 requires that an audited financial statement be submitted to the Legislative auditor within six months of the close of an entity's fiscal year.

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

Recommendation: We recommended that the Organization have alternate personnel available to provide accounting records needed to the auditors so that the financial statements can be submitted within the required time frame.

Current Status: Resolved.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

Current Period Findings:

None.

Prior Period Findings:

None.

**PRIMARY CARE PROVIDERS FOR A HEALTHY FELICIANA, INC.
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

COMMUNICATIONS

Results of audit findings were discussed with Ginger Hunt, Executive Director, on February 28, 2013.