

**North Louisiana Area Health  
Education Center Foundation  
Monroe, Louisiana**

**Annual Financial Report  
As of and for the Year Ended September 30, 2003**

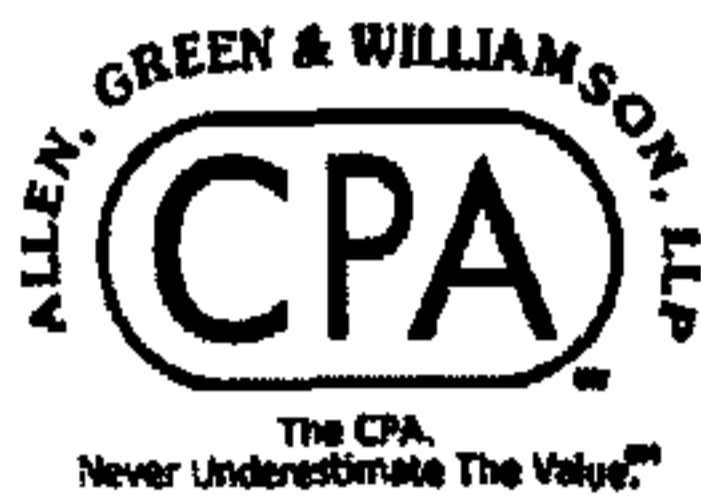
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the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

Release Date 4-21-04

**North Louisiana Area Health  
Education Center Foundation**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
North Louisiana Area Health  
Education Center Foundation  
Monroe, Louisiana

We have audited the accompanying basic financial statements of North Louisiana Area Health Education Center Foundation, a nonprofit organization, (the North LA. AHEC) as of and for the year ended September 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the North LA. AHEC's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North LA. AHEC, as of September 30, 2003, and the changes in its net assets and its cash flows for the year 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 our report dated March 18, 2004, on our consideration of the North LA. AHEC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the North LA. AHEC taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the North LA. AHEC. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Also, the accompanying other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the North LA. AHEC. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 18, 2004

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**STATEMENT OF FINANCIAL POSITION  
September 30, 2003**

**Statement A**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 186,306
Cost reimbursement receivable	114,517
Prepaid expenses	<u>3,020</u>

Total current assets 303,843

**PROPERTY AND EQUIPMENT**

Office equipment	99,059
Furniture	26,576
Vehicle	18,245
Building	<u>65,223</u>

Total property and equipment 209,103

Less: Accumulated depreciation 126,188

Total property and equipment - net of depreciation 82,915

**TOTAL ASSETS** **\$ 386,758**

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 12,755
Accrued salaries	62,835
Accrued payroll taxes	3,619
Compensated absences	30,242
Deferred revenue	<u>153,194</u>

**TOTAL LIABILITIES** **262,645**

**NET ASSETS**

Unrestricted net assets 124,113

Total net assets 124,113

**TOTAL LIABILITIES AND NET ASSETS** **\$ 386,758**

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2003**

**Statement B**

**UNRESTRICTED**

**REVENUES, GAINS AND OTHER SUPPORT:**

Grants - Area Health Education Program

\$ 1,537,102

Other revenue:

Interest and dividends

215

Donations

15,290

Other revenue

13,635

Total other revenue

29,140

Total revenues, gains and other support

1,566,242

**EXPENSES AND LOSSES:**

Direct program expenses

1,102,600

Supporting Services Expense

Salaries

262,321

Payroll taxes and benefits

68,637

Supplies and postage

9,158

Telephone

8,514

Occupancy expense

10,332

Travel

21,826

Other operating expenses

33,571

Depreciation

12,302

Marketing and membership

3,932

Supplies

2,580

Legal and accounting

13,037

Total supporting services expense

446,190

Loss on sale of fixed assets

(8,252)

Total expenses and losses

1,557,042

Change in net assets

9,200

NET ASSETS - BEGINNING OF YEAR

114,913

NET ASSETS - END OF YEAR

\$ 124,113

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2003**

Statement C

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	\$ 9,200
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	12,302
Loss on sale of equipment	8,252
(Increase) decrease in:	
Cost reimbursement receivable	28,753
Prepaid expenses	(196)
(Decrease) increase in:	
Accounts payable	(13,921)
Accrued salaries	794
Accrued payroll taxes	66
Compensated absences	30,242
Deferred revenue	<u>19,225</u>
 Net cash provided (used) by operating activities	 <u>94,717</u>
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchases of equipment	<u>(25,858)</u>
 Net cash provided (used ) by investing activities	 <u>(25,858)</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 68,859
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	 <u>117,447</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <u>\$ 186,306</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**North Louisiana Area Health  
Education Center Foundation**

**Notes to Basic Financial Statements**

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**North Louisiana Area Health  
Education Center Foundation**

**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Corporate Purpose** The North Louisiana Area Health Education Center Foundation (the North LA. AHEC) was organized without capital stock under Louisiana law on March 7, 1989, as a non-profit corporation to bring healthcare education and resources to rural and underserved communities in North Louisiana. Membership in the North LA. AHEC is evidenced by certificates of membership and is limited to individuals who are members of the Board of Directors, or other persons who have the approval of the Board of Directors of this North LA. AHEC. The North LA. AHEC's main source of support is federal and state grants passed through various state agencies.

**Income Taxes** The North LA. AHEC is qualified as an organization exempt from Federal income taxes pursuant to Paragraph 501(c)(3) of the Internal Revenue Code. No provision for income taxes is necessary.

**Cash and Cash Equivalents** For purposes of the statement of cash flows, the North LA. AHEC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Capital Assets and Donated Use of Facilities** Pursuant to their contractual agreement, Louisiana State University Medical Center (LSUMC) budgets for expenditures for capital assets to be acquired for the North LA. AHEC. The contractual agreements for years 1989, 1990, 1991 and 1992, with LSUMC stated that the ownership of assets purchased with grant funds would remain with LSUMC. The agreements for years 1993 and 1994 do not specify this reversionary ownership. However, according to federal regulations, the title to assets purchased with federal funds generally reverts to the grantor at the end of the grant period. Accordingly, these costs were recorded as revenue and expenditures in the activity statement of the North LA. AHEC and are not capitalized for prior years. The assets purchased beginning October 1, 1994 are budgeted for in a cooperative endeavor agreement between LSUMC and the North LA. AHEC as described in Note 1. This agreement does not contain a provision for reversionary ownership and, accordingly, as of the beginning of the fiscal year ending September 30, 1995 the North LA. AHEC capitalizes assets purchased and records these purchases at cost. Depreciation is calculated using straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years. Depreciation expense for the year was \$12,302.

The building is capitalized and depreciated over its estimated useful life. E. A. Conway Memorial Hospital, an affiliated organization with Louisiana State University Medical Center, provides the use of land for the portable building. The use of land is not recorded in the financial statements. The office was relocated in April, 1997 to Shreveport, Louisiana to space leased from a commercial office building.

**Revenues and Expenses** The North LA. AHEC is funded by contractual agreements with various state and federal agencies. These agreements represent exchange transactions for goods and services under the guidance provided by Statement of Financial Accounting Standards No 116 "Accounting for Contributions Received and Contributions Made". Exchange transactions do not meet the definition of contributions, accordingly, SFAS No. 116 does not apply. Support for the North LA. AHEC is provided by the Louisiana Legislature through funding to Louisiana State University Medical Center (LSUMC) for continuing the operations of the Area Health Education Program. In accordance with Article 7, Section 14(c) of the Louisiana Constitution a Cooperative Endeavor was entered into by and between the Board of Supervisors of Louisiana State University Agricultural and Mechanical College, acting on behalf of the Louisiana State University Medical Center, Shreveport and the North LA. AHEC. This agreement is a state funded replacement of a cooperative agreement originally between the United States Public Health Service (entered into in 1988 and terminated on September 29, 1994) and Louisiana State University Medical Center for the establishment of a state wide area health education center program.



**North Louisiana Area Health  
Education Center Foundation**

**Notes to Basic Financial Statements**

Expenditures are to be made in accordance with a budget which has been adopted and made a part of the contract agreement with LSUMC. The North LA. AHEC is to be reimbursed by LSUMC for costs incurred in carrying out the provisions of this agreement. An advance is paid to the North LA. AHEC by the tenth working day of each month. Actual expenses for each month are billed to Louisiana State University Medical Center and any over/under payment will be deducted/added on a subsequent payment. Revenues are recorded when earned and expenses when incurred. Additional programs added to enhance the North LA. AHEC's ability to serve the community are supported by other federal and state grants. These grants operate on a cost reimbursement basis.

**Contributions** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The North LA. AHEC has not received any restricted contributions.

The North LA. AHEC primarily receives cash from various government contracts on an exchange transaction for specified services. These revenues are not considered contributions and are recorded as an increase in unrestricted net assets.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The North LA. AHEC has not received any promises to give.

**Functional Allocation of Expenses** The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fund raising, management and general, supporting services or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the North LA. AHEC.

**NOTE 2 - DEPOSITS** At September 30, 2003, the North LA. AHEC had cash and cash equivalents (book balances) totaling \$186,306 in interest bearing demand deposits. Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year end, the North LA. AHEC's carrying amount of deposits was \$186,306 and the bank balance was \$193,293. Of the bank balance, \$193,293 was covered by federal deposit insurance.

**NOTE 3 - ACCOUNTS RECEIVABLE** Accounts receivable of \$114,517 at September 30, 2003, consists of amounts due from various grants for cost reimbursement.

**NOTE 4 - ACCOUNTS PAYABLE** Accounts payable at September 30, 2003, of \$12,755 consisted of payments to vendors.

**North Louisiana Area Health  
Education Center Foundation**

**Notes to Basic Financial Statements**

**NOTE 5 - CAPITAL ASSETS** Capital asset balances and activity for the year ended September 30, 2003, are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
<b>Exhaustible capital assets</b>				
Buildings	\$ 65,223	\$ 0	\$ 0	\$ 65,223
Furniture and equipment	118,022	7,613	0	125,635
Transportation equipment	<u>33,000</u>	<u>18,245</u>	<u>33,000</u>	<u>18,245</u>
Total	<u>216,245</u>	<u>25,858</u>	<u>33,000</u>	<u>209,103</u>
<b>Less accumulated depreciation</b>				
Buildings	18,729	3,258	0	21,987
Furniture and equipment	95,157	6,438	0	101,595
Transportation and equipment	<u>24,748</u>	<u>2,606</u>	<u>24,748</u>	<u>2,606</u>
Total	<u>138,634</u>	<u>12,302</u>	<u>24,748</u>	<u>126,188</u>
<b>Governmental activities</b>				
Capital assets, net	<u>\$ 77,611</u>	<u>\$13,556</u>	<u>\$ 8,252</u>	<u>\$ 82,915</u>

**NOTE 6 - DEFERRED COMPENSATION PLAN** The North LA. AHEC sponsors all of its eligible full-time employees in a noncontributory tax-deferred compensation plan under the rules in IRC Section 403(b). The amount of contributions by the North LA. AHEC to the Plan will be determined annually based on budget allocations and applicable law limitations. Contributions by the North LA. AHEC totaled \$80,360 for the year.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Operating Lease Commitments**

The North LA. AHEC has a lease agreement for office space in Shreveport, Louisiana expiring July, 2004. The office space is used by the administration and accounting departments.

Total rent expense related to these and other short-term lease agreements was \$35,931 for the year ended September 30, 2003. Future aggregate minimum lease payments are as follows:

For Year Ended September 30, 2004	\$35,931
Thereafter	35,931

**NOTE 8 - DEFERRED REVENUE** At September 30, 2003, the North LA. AHEC had received \$153,194 of advanced funds from the Maternal and Child Health Bureau of the Department of Health and Human Services in excess of expended funds. The \$153,194 is recorded as deferred revenue in the financial statements.

**NOTE 9 - LITIGATION AND CLAIMS** The North LA. AHEC participates in federal awards programs. The programs are subject to compliance audits by the grantor agency. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grant. Management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Expenses  
For the Year Ended September 30, 2003**

**Schedule 1**

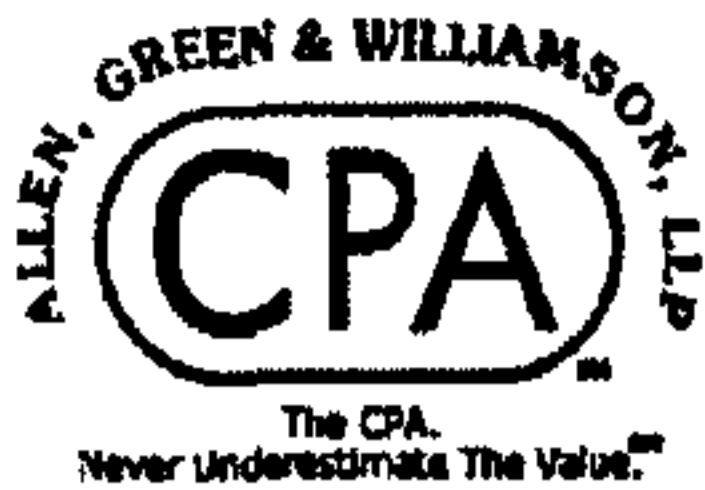
	<u>Program Services Expenses</u>	<u>Supporting Service Expenses</u>	<u>Total</u>
<b>Salaries and related expenses</b>			
Salaries	\$ 534,875	\$262,321	\$ 797,196
Payroll taxes	45,529	24,449	69,978
Employee benefits	63,383	37,612	100,995
Miscellaneous personnel expense	<u>0</u>	<u>6,576</u>	<u>6,576</u>
<b>Total salaries and related expenses</b>	<u>643,787</u>	<u>330,958</u>	<u>974,745</u>
<b>Other expenses</b>			
Active Computer Learning Systems	16,031	0	16,031
AHEC of A Summer	39,865	0	39,865
Children's Trust	15,983	0	15,983
Career Information	6	0	6
Community Development	2,590	0	2,590
Continuing Education	24,550	0	24,550
Community Health Education	490	0	490
E. A. Conway Medical Center	3,194	0	3,194
Elem. - Jr. School	15,287	0	15,287
Health Career Awareness	17,665	0	17,665
Healthy Start	135,072	0	135,072
School of Dentistry	5,014	0	5,014
Teen Institute	8,157	0	8,157
MASH	35,195	0	35,195
Miscellaneous Community Projects	34,291	0	31,687
Injury Prevention	13,758	0	13,758
Nursing Continuing Education	874	0	874
Primary Care Rural Perception Program	49,009	0	49,009
Project Hope	9,131	0	9,131
Shots for tots	20,142	0	20,142
Tar Wars	624	0	624
AHEC EAMC	6,986	0	6,986
Misc. Community Program	2,245	0	2,245
LRHA	2,654	0	2,654
Accounting & legal fees	0	13,037	13,037
Board of directors	0	5,170	5,170
Building expenses	0	10,332	10,332
Equipment and storage rental	0	12,437	12,437
Equipment and maintenance	0	135	135
Insurance	0	7,478	7,478
Marketing and promotion	0	1,178	1,178
Membership	0	2,754	2,754
Office expenses	0	13,402	13,402
Postage	0	3,853	3,853
Security	0	254	254
Supplies	0	2,560	2,560

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Expenses  
For the Year Ended September 30, 2003**

**Schedule 1**

	<u>Program Services Expenses</u>	<u>Supporting Service Expenses</u>	<u>Total</u>
Telephone	0	8,514	8,514
Travel	0	21,826	21,826
Depreciation	0	12,302	12,302
Total other expenses	<u>458,813</u>	<u>115,232</u>	<u>574,045</u>
Total	<u>\$1,102,600</u>	<u>\$446,190</u>	<u>\$1,548,790</u>



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**Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards**

The Board of Directors  
North Louisiana Area Health  
Education Center Foundation  
Monroe, Louisiana

We have audited the basic financial statements of North Louisiana Area Health Education Center Foundation, as of and for the year ended September 30, 2003, and have issued our report thereon dated March 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the North LA. AHEC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the North LA. AHEC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

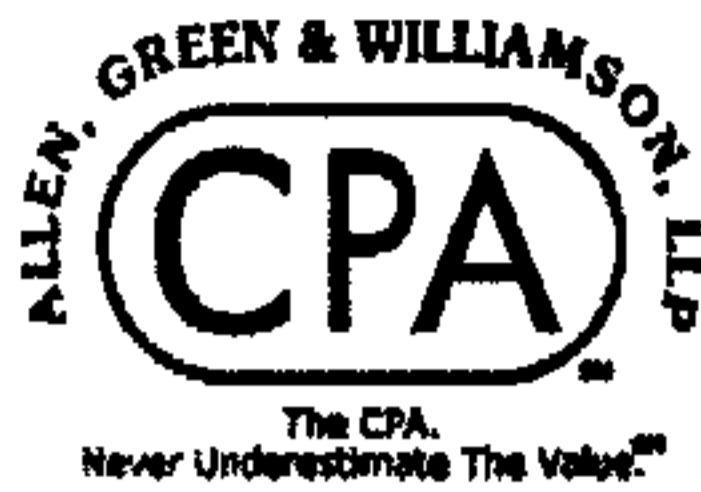
This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 18, 2004





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## Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular No. A-133

### Board Members

North Louisiana Area Health  
Education Center Foundation  
Monroe, Louisiana

### Compliance

We have audited the compliance of North Louisiana Area Health Education Center Foundation with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular No. A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. The North LA. AHEC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the North LA. AHEC's management. Our responsibility is to express an opinion on the North LA. AHEC's compliance based on our audit.

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 No. A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular No. 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 the North LA. AHEC'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. Our audit does not provide a legal determination on the North LA. AHEC's compliance with those requirements.

In our opinion, the North LA. AHEC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements that are required to be reported in accordance with OMB Circular No. A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-F1 and 03-F2.

### Internal Control Over Compliance

The management of the North LA. AHEC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the North LA. AHEC'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 No. A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements the North LA. AHEC, as of and for the year ended September 30, 2003, and have issued our report thereon dated March 18, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular No. A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board, management, 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. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 18, 2004

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2003**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
<b>CASH FEDERAL AWARDS</b>			
<b>Department of Health and Human Services</b>			
<b>Direct Programs:</b>			
Healthy Start Division	93.926E		\$447,007
<b>Passed Through Louisiana Department of Education:</b>			
Supplemental Award-Youth Media Campaign	93.938	577650	3,540
<b>Passed Through State of Louisiana Department of Health and Hospitals, Office of Public Health</b>			
Maternal and Child Health Program	93.994	574503	33,420
Project HOPE	93.994	588278	48,312
Injury Prevention Coordinator	93.994	581659	35,808
<b>Passed Through Louisiana State University Health Service Center</b>			
Model AHEC	93.107	UK	<u>112,690</u>
<b>Total Federal Awards</b>			<u><b>\$680,777</b></u>



**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2003**

**NOTE 1 - GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the North Louisiana Area Health Education Center Foundation. The North LA. AHEC's reporting entity is defined in note 1 to the North LA. AHEC's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**NOTE 2 - BASIC OF ACCOUNTING** The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

**NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS** Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

**NOTE 4 - MATCHING REVENUES** For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Findings and Questioned Costs  
As of and for the Year Ended September 30, 2003**

**PART I - Summary of the Auditors' Results**

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

**Audit of Federal Awards**

- iv. There were no reportable conditions required to be disclosed by OMB Circular No. A-133. The reportable conditions were not considered to be material weaknesses.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a).
- vii. The major federal program is:
  - CFDA #93.926E      Healthy Start
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was \$300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular No. A-133, Section .530.

North Louisiana Area Health  
Education Center Foundation

Schedule of Findings and Questioned Costs  
As of and for the Year Ended September 30, 2003

**PART III - Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section .510(a):**

**03-F1 Cash Draws Exceed Expenses**

**Entity-wide or program/department specific:** This finding is program-specific.

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Federal Award Year
Department of Health and Human Services Healthy Start	93.926E	2003

**Criteria or specific requirement:** Unless otherwise indicated in the grant, all grants should be based on a cost reimbursement basis. Cash draws should be made to cover existing expenses and a reasonable estimate of future payroll expenses.

**Condition found:** The North LA. AHEC had deferred revenues of \$133,969 in the prior year related to this grant. In the current year the North LA. AHEC drew down an additional \$42,993 over current year expenses. This is a total of \$176,962 in deferred revenues.

**Possible asserted effect (cause and effect):**

**Cause:** Expenses related to the grant are not being matched against related grant income

**Effect:** Revenues are overstated and the terms of the grant are not being followed.

**Recommendations to prevent future occurrences:** At least quarterly the North LA. AHEC should match current year expenses attributable to the grant to current year revenues.

**03-F2 Financial Status Report Does Not Match General Ledger**

**Entity-wide or program/department specific:** This finding is program-specific.

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Federal Award Year
Department of Health and Human Services Healthy Start	93.926E	2003

**Criteria or specific requirement:** Information provided in federal financial reports should be quantifiable and should mirror the financial statements. Supporting documentation should be prepared to complete the financial reports.

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Findings and Questioned Costs  
As of and for the Year Ended September 30, 2003**

**PART III - Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section .510(a):**

**Condition found:** A test of the financial status report for the grant period ending May 31, 2003 indicated variances between the amounts reported and general ledger amounts as shown below:

<u>Expenses</u>	<u>Report</u>	<u>General Ledger</u>	<u>Difference</u>
Fringe Benefits	\$ 57,548	\$ 53,150	\$ 4,398
Supplies	49,391	48,642	749
Contractual	9,000	500	8,500
Other	36,177	39,117	(2,940)
Interest Charges	22,542	21,116	1,426
Total	<u>\$174,658</u>	<u>\$162,525</u>	<u>\$12,133</u>

**Possible asserted effect (cause and effect):**

**Cause:** Financial statements and supporting documentation may not be fully utilized in the preparation of the grant reports.

**Effect:** Amounts reported for expenses are overstated.

**Recommendations to prevent future occurrences:** The North LA. AHEC should utilize their financial software to generate expense reports to document expenses for reporting purposes.

**North Louisiana Area Health  
Education Center Foundation**

**Corrective Action Plan for Current-Year Findings and Questioned Costs  
As of and for the Year Ended September 30, 2003**

**03-F1      Cash Draws Exceed Expenses**

**Condition:** The North LA. AHEC had deferred revenues of \$133,969 in the prior year related to this grant. In the current year the North LA. AHEC drew down an additional \$42,993 over current year expenses. This is a total of \$176,962 in deferred revenues.

**Corrective action planned:** Management will periodically match revenues against expenses to ascertain if additional cash draws are required. Every effort will be made to ensure that all expenses related to the Federal Programs are properly coded. Any revenue which exceeds expenses will be used before any further cash draws are made.

**Person responsible for corrective action:**

Ms. Susan Moreland, Executive Director  
North Louisiana Area Health  
Education Center Foundation  
6007 Financial Plaza, Suite 204  
Shreveport, LA 71129

Telephone: (318) 686-2441  
Fax: (318) 686-2612

**Anticipated completion date:** September 30, 2004.

**03-F2      Financial Status Report Does Not Match General Ledger**

**Condition:** A test of the financial status report for the grant period ending May 31, 2003 indicated variances between the amounts reported and general ledger amounts.

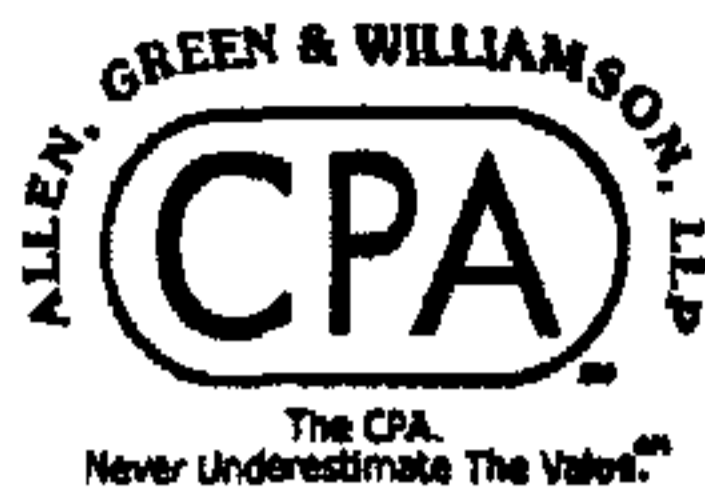
**Corrective action planned:** Complete documentation and calculations used in preparing all financial reports will be retained for audit purposes. Amounts used for grant financial reports will be checked against the North LA. AHEC's accounting records to ensure that the amounts reported reflect the general ledger.

**Person responsible for corrective action:**

Ms. Susan Moreland, Executive Director  
North Louisiana Area Health  
Education Center Foundation  
6007 Financial Plaza, Suite 204  
Shreveport, LA 71129

Telephone: (318) 686-2441  
Fax: (318) 686-2612

**Anticipated completion date:** September 30, 2004.



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## Management Letter

### Board Members

North Louisiana Area Health  
Education Center Foundation  
Monroe, Louisiana

In planning and performing our audit of the financial statements of the North Louisiana Area Health Education Center Foundation for the year ended September 30, 2003, we considered the North LA. AHEC's internal control to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated March 18, 2004, on the financial statements of the North LA. AHEC. We will review the status of these comment during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments and management's responses are summarized as follows:

### 03-M1      No Fidelity Bonds

**Comment:** While reviewing the insurance documents for the North LA. AHEC we noted no record of fidelity bonds for employees who handle or are responsible for cash.

**Recommendation:** Considering the risk involved in this situation and the fact that fidelity bond cost is usually inexpensive, the North LA. AHEC should obtain bonds for all employees.

**Management's response:** Management will research available fidelity bond coverage and ensure that all employees who are responsible for cash are bonded.

### 03-M2      Chart of Accounts

**Comment:** The purpose of fund accounting is to readily identify all revenues and expenses associated with a particular program, project, grant, etc. The current chart of accounts does not completely reflect all expenses for each grant. An example is the payroll tax expense. The North LA. AHEC maintains an informal set of books internally, while the official set is maintained by an independent certified public accounting firm. During the audit sometimes we referred to the informal set of books while other times we referred to the official books. Draws requested on federal and state grants and the final year-end settlements should agree to the official set of books. The reports generated by the fee accountant do not mirror the North LA. AHEC's chart of accounts and results in difficulties in using the data provided. In at least one instance the final accounting reported to one federal agency did not agree to the books.

**Recommendation:** The North LA. AHEC should confer with the fee accountant to explain the types of reports required as well as the detail needed. In addition, an effort should be made to ensure that all expenses and revenues are properly categorized for fund accounting purposes.

**Management's response:** Management will confer with the fee accountant and other accounting professionals as required in order to establish a chart of accounts which follows fund accounting principles. In addition, management will convey to the fee accountant the information and format required for reports in order to meet management's requirements for financial information and assist management in making decisions.

\*\*\*\*\*

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 18, 2004