

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

East Jefferson Community Health Center, Inc.

For the six months ended June 30, 1996

<u>Program</u>	<u>Finding</u>	<u>Questioned Cost</u>
Housing and Urban Development - CDBG	<p>1. Finding - During our review of payroll expenses charged to the program we noted charges that were not supported by time sheets or other documentation as required by OMB Circular A-132.</p> <p>Recommendation - The Health Center begin requiring all employees to prepare time sheets for all payroll expenses charged to the program in order to properly document these expenses in accordance with OMB Circular A-132.</p> <p>Response - The Board will enforce standard procedures in regards to its fiscal policies and the Federal OMB Circular A-132, where it will be mandatory to supply accounting with the supporting documentation including time sheets prior to the issuance of any checks.</p>	\$22,651
Housing and Urban Development - CDBG	<p>2. Finding - During our review of payroll expenses charged to the program we discovered certain charges which were incurred prior to the start of the grant. These charges also included a settlement for a disputed health insurance claim.</p> <p>Recommendation - A thorough review of expenses charged to the program should be done to ensure that all expenses have been incurred subsequent to the inception of the grant.</p> <p>Response - These expenses undergo extensive review by Jefferson Parish Community Development Department and were found not to be acceptable. Also, this occurrence is now prevented because of our automated accounting system which allows a better view of daily transactions.</p>	\$3,875

NOTES TO SCHEDULE OF FEDERAL AWARD

East Jefferson Community Health Center, Inc.

June 30, 1996

Note 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133, SINGLE AUDIT ACT OF 1984

All Federal grant awards of the East Jefferson Community Health Center, Inc. are included in the scope of the OMB Circular A-133, Single Audit Act of 1984. The United States Department of Housing and Urban Development is the cognizant federal audit agency and the Jefferson Parish Community development is the local cognizant audit agency for the single audit.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Financial Award is a summary of the cash activity of the Health Center's federal awards program and does not present transactions that would be included in financial statements of the Health Center presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles.

Note 3 - FINDINGS OF NONCOMPLIANCE

The findings of noncompliance are disclosed in the Schedule of Findings and Questioned Cost. The potential reimbursement effects of the findings are not ascertainable.

SCHEDULE OF FEDERAL AWARD

East Jefferson Community Health Center, Inc.

For the six months ended June 30, 1994

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency Or Pass-Through Number	Program Or Award Amount	Accrued Revenue or (Unexpended Cash) at January 1, 1994	Receipts	Disbursements	Accrued Revenue or (Unexpended Cash) at June 30, 1994
U.S. Department of Housing and Urban Development/Office Public Community Development Department/ Community Development Block Grant	14.218	95-34-00	\$ 452,000	\$ 188,189	\$ 235,416	\$ 199,279	\$ 14,043
Community Development Block Grant	14.218		590,000	-	394,169	392,892	(1,245)
Totals				<u>\$ 188,189</u>	<u>\$ 337,582</u>	<u>\$ 292,172</u>	<u>\$ 12,799</u>

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of East Jefferson Community Health Center, Inc. taken as a whole. The accompanying Schedule of Federal Award is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Bourgeois Bennett, LLC

Certified Public Accountants

New Orleans, La.,
November 14, 1996.



Margolis Bennett

**INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF FEDERAL AWARD**

To the Board of Directors,
East Jefferson Community Health Center, Inc.

We have audited the financial statements of East Jefferson Community Health Center, Inc. (a nonprofit corporation) as of and for the six months ended June 30, 1996, and have issued our report thereon dated November 14, 1996. These financial statements are the responsibility of the Health Center'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 generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. These standards and OMB Circular A-133 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.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, East Jefferson Community Health Center, Inc. complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to its major Federal award program for the six months ended June 30, 1995.

This report is intended for the information of the audit committee, management and various Federal and local audit agencies. However, this report is a matter of public record, and its distribution is not limited.

Bouygues Bennett, LLC.

Certified Public Accountants

New Orleans, La.,
November 14, 1995.



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL AWARD PROGRAM**

To the Board of Directors,
East Jefferson Community Health Center, Inc.

We have audited the financial statements of East Jefferson Community Health Center, Inc. (a nonprofit corporation) as of and for the six months ended June 30, 1998, and have issued our report thereon dated November 14, 1998.

We have also audited the compliance of East Jefferson Community Health Center, Inc. with the requirements governing claims for advances and reimbursements to its major federal award program, which is identified in the accompanying Schedule of Federal Award, for the six months ended June 30, 1998. The management of East Jefferson Community Health Center, Inc. is responsible for the Health Center's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, *Audit of Institutions of Higher Education and Other Nonprofit Institutions*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Health Center's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Material instances of noncompliance consist of failures to follow the general requirements that caused us to conclude that the misstatements resulting from those failures are material to the Department of Housing and Urban Development Community Development Block Grant. The results of our tests of compliance disclosed the material instances of noncompliance that are described in the accompanying Schedule of Findings and Questioned Costs.

We considered this material instances of noncompliance in forming our opinion on whether the Health Center's 1996 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated November 14, 1996, on those financial statements.

Except as described above, the results of our procedures to determine compliance indicate that, with respect to the items tested, the Health Center complied, in all material respects, with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Health Center had not complied, in all material respects, with those requirements. However, the results of our procedures also disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

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

Burgess Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
November 14, 1996.



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH THE GENERAL REQUIREMENTS
APPLICABLE TO FEDERAL AWARD PROGRAM**

To the Board of Directors,
East Jefferson Community Health Center, Inc.

We have audited the financial statements of East Jefferson Community Health Center, Inc. (a nonprofit corporation) as of and for the six months ended June 30, 1996, and have issued our report thereon dated November 14, 1996.

We have applied procedures to test the compliance of East Jefferson Community Health Center, Inc. with the following requirements applicable to its federal award program, which is identified in the accompanying Schedule of Federal Award, for the six months ended June 30, 1996:

- Political Activity
- Civil Rights
- Cash Management
- Allowable Cost / Cost Principles
- Drug Free Workplace Act
- Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Circular A-133 Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on East Jefferson Community Health Center, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

As discussed in the Schedule of Findings and Questioned Costs the Health Center did not have time sheets to support a significant number of payroll charges to the Department of Housing and Urban Development Community Development Block Grant.

We considered this instance of noncompliance in forming our opinion on whether the Health Center's 1996 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated November 14, 1996, on these financial statements.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Health Center in a separate letter dated November 14, 1996.

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

Bourgeois Bennett, LLC

Certified Public Accountants

New Orleans, La.
November 14, 1996.



PricewaterhouseCoopers

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
East Jefferson Community Health Center, Inc.

We have audited the financial statements of East Jefferson Community Health Center, Inc. (a nonprofit corporation) as of and for the six months ended June 30, 1996, and have issued our report thereon dated November 14, 1996.

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

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

The results of our tests disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards for which no ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recorded in the Health Center's 1996 financial statements.

2. **Condition** - During our review of payroll expenses charged to the program we noted charges that were not supported by time sheets. Although policies existed requiring each employee to submit a time sheet for each bi-weekly pay period, we noted that the Administrative Director / Executive Director had not completed a time sheet. Failure to have time sheets to document payroll expenses and related charges could result in the Health Center paying employees for time not worked. It also makes accounting for overtime, sick and vacation leave difficult.

Recommendation - The Health Center should begin requiring employees to prepare time sheets for every employee for which payroll and related expenses are charged to the program.

Response - The Board of Directors has instructed the Executive Director to begin completing time sheets in order to properly document payroll charges.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering the federal award would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable condition described above is not a material weakness.

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

Bourgeois Bennett, LLC

Certified Public Accountants

New Orleans, La.,
November 14, 1996.

We performed tests of controls, as required by OMB Circular A-113, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the Organization's major Federal award program, which is identified in the accompanying Schedule of Federal Award. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Organization's ability to administer the Federal award program in accordance with applicable laws and regulations.

1. **Condition** - For the six months ended June 30, 1996 the Health Center failed to maintain a listing of fixed assets purchased with Federal funds. Failure to maintain this listing would prohibit the Health Center from complying with Federal requirements on property management.

Recommendation - The Health Center should maintain a fixed asset listing in accordance with the property management standards included in OMB Circular A-113 as follows:

- A description of the equipment.
- Manufacturer's serial number, model number, or other identification number.
- Source of the equipment, including the award number.
- Whether title vests in the receipt or the Federal Government.
- Acquisition date and cost.
- Information from which one can calculate the percentage of Federal participation in the cost of the equipment.
- Location and condition of the equipment and the date the information was reported.
- Unit acquisition cost.
- Ultimate disposition data, including date of disposal and sales price.

Response - Our automated accounting system has a fixed asset module which has been implemented. We are in the process of ordering bar coded identification tags to designate equipment purchased with specific funds.

The management of East Jefferson Community Health Center, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering its federal award programs in the following categories:

Accounting

- Cash Disbursements
- Property and Equipment
- Payroll
- Federal Grant Program

General Requirements

- Political Activity
- Civil Rights
- Cash Management
- Allowance Cost / Cost Principles
- Drug-Free Workplace Act
- Administrative Requirements

Specific Requirements

- Claims For Advances and Reimbursement

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

During the six months ended June 30, 1996, East Jefferson Community Health Center, Inc. expended 100% percent of its total federal awards under its major federal award program.



Beaumont Bennett

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL STRUCTURE USED
IN ADMINISTERING FEDERAL AWARD**

To the Board of Directors,
East Jefferson Community Health Center, Inc.

We have audited the financial statements of East Jefferson Community Health Center, Inc. (a nonprofit corporation) as of and for the six months ended June 30, 1996, and have issued our report thereon dated November 14, 1996. We also audited the compliance of East Jefferson Community Health Center, Inc. with requirements applicable to its major federal award program and have issued our report thereon dated November 14, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133 (OMB), *Audit of Institutions of Higher Education and Other Nonprofit Institutions*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether East Jefferson Community Health Center, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audit for the six months ended June 30, 1996, we considered the internal control structure of East Jefferson Community Health Center, Inc. in order to determine our audit procedures for the purpose of expressing our opinions on the financial statements of East Jefferson Community Health Center, Inc. and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedure relevant to compliance with requirements applicable to the federal award program. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated November 14, 1996.

- 3) **Condition** - During our review of payroll expenses charged to the program we noted charges that were not supported by time sheets. Although policies existed requiring each employee to submit a time sheet for each bi-weekly pay period, we noted that the Administrative Director / Executive Director did not complete a time sheet. Failure to have time sheets to document payroll expense and related charges could result in the Health Center paying employees for time not worked. It also makes accounting for overtime, sick and vacation leave difficult.

Recommendation - The Health Center should begin requiring all employees to prepare time sheets for every employee for which payroll and related expenses are charged to the program.

Response - The Board of Directors has instructed the Executive Director to begin completing time sheets in order to properly document payroll charges.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that none of the reportable conditions described above is a material weakness.

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

Burgess Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
November 14, 1996.

In planning and performing our audit of the financial statements of East Jefferson Community Health Center, Inc. for the six months ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

- 1) **Condition** - For the month of June 1996, the cash accounts for the Health Center were not reconciled to the general ledger. Failure to perform monthly bank reconciliations could result in some transactions not being recorded in the general ledger and being detected in a timely manner.

Recommendation - As part of the monthly accounting duties bank reconciliations should be prepared reconciling the bank balance to the general ledger balance and any differences investigated in a timely manner. This reconciliation should be reviewed by a responsible official on a monthly basis.

Response - Because of the vast number of persons involved with various responsibilities that contributed to posting and reconciling transactions, we identified our error. We hired a full-time in-house chief financial officer. Then we installed and implemented an automated accounting system that will produce daily reports for monitoring purposes.

- 2) **Condition** - When reviewing certain cash disbursements, it was noted that some expenses were paid without invoices as support for the disbursement. This practice can lead to the Health Center duplicating payments to vendors.

Recommendation - Cash disbursements should be properly supported with a vendor's invoice. The invoice should have proper approval to be paid documented on it along with documentation that the goods or services have been received.

Response - With the installation of the automated accounting system, we have implemented an accounts payable module that has standard payable mechanisms in place. For example, open invoice file, individual paid vendor files and three part payable checks. This manually keep information is also automated which creates additional checks and balances.



Ernst & Young

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL STRUCTURE BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
East Jefferson Community Health Center, Inc.

We have audited the financial statements of East Jefferson Community Health Center, Inc. (a nonprofit corporation) as of and for the six months ended June 30, 1995, and have issued our report thereon dated November 14, 1995.

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

The management of East Jefferson Community Health Center, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure of future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

Note 9 - CONTINGENCY

In May 1995, the Health Center was awarded a grant of \$452,000 by the Jefferson Parish Council from their Community Development Block Grant funds. The terms of the grant provide for repayment under certain conditions which generally relate to change in ownership from nonprofit to for profit or changes in uses of such assets procured with the grant funds. These terms will remain in effect until the year 2025.

Note 10 - JUDGEMENTS, CLAIMS AND SIMILAR CONTINGENCIES

There is no litigation pending against the Health Center at June 30, 1996.

The Health Center receives funding from various federal and local government programs which are subject to final review and approval as to allow space ability of expenditures by the respective grantor agencies. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the agency and the Health Center. Also, it is management's opinion that any audits by the grantor agencies would not produce disallowed program costs and liabilities to such an extent that they would materially affect the Health Center's financial position.

Note 11 - ECONOMIC DEPENDENCY

The Health Center receives the majority of its revenue from funds provided through grants administered by the Jefferson Parish Community Development Department and East Jefferson General Hospital. The grant amounts are appropriated each year by these granting agencies. If significant budget cuts are made by these granting agencies the amount of the funds the Health Center receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Health Center will receive in the next fiscal year.

Note 7 - OFFICE AND EQUIPMENT LEASES

The Health Center is leasing office equipment, beginning June 1, 1995, for a period of 36 months. Minimum lease payments required under these leases are as follows:

Year	Amount
1997	\$3,486
1998	<u>1,452</u>
Total	<u>\$4,938</u>

Note 8 - CHANGE IN ACCOUNTING PRINCIPLES FOR CONTRIBUTIONS

Effective January 1, 1996, the Health Center adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". The Health Center previously recorded contributions as unearned revenue until the funds were either expended for restricted purposes or through the expiration of time restrictions. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As permitted by SFAS No. 116, the Health Center has recognized the cumulative effect of the provisions of this new statement in its 1996 statement of activity.

The cumulative effect adjustment at January 1, 1996 represents \$948,068 of that Jefferson General Hospital support previously recorded as unearned revenue until the funds were expended for restricted purposes. The cumulative effect adjustment was reduced by \$23,547 to record unconditional promises to give with due dates in excess of one year at their net present value. Under SFAS No. 116, time-restricted contributions are recorded as temporarily restricted support and are then reclassified to unrestricted net assets upon the expiration of time-restrictions. Assuming this new statement had been applied retroactively, the Health Center's increase in net assets would have been \$94,152 (\$922,621 less than the \$1,016,773 increase in net assets reported).

Note 5 - FINANCIAL SUPPORT (Continued)

The Jefferson Parish Council has approved allocations of \$500,000 and \$452,000 to the Health Center from their Federal 1995 and 1994 Community Development Block Grant Fund, respectively. These funds become available for capital and operating expenses in April, 1996 and May, 1995 respectively. The 1995 funds are designated for operating expenses while the 1994 funds were designated for capital expenses. As of June 30, 1996, the Health Center had received \$104,166 under the 1995 grant and \$452,000 (\$150,250 in 1996 and \$293,750 in 1995) under the 1994 grant. The 1995 grant is considered a conditional grant, therefore, no receivable has been recorded at June 30, 1996.

Note 6 - FUNCTIONAL ALLOCATION EXPENSES

Expenses have been reported on the statement of activities by natural classification for the six months ended June 30, 1996. To present total expenses by functional classifications, expenses are charged to program services and supporting services (management and general expense) on the basis of management's estimate of periodic time and expense allocations. Management and general expense include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Health Center.

The expenses for the six months ended June 30, 1996 are allocated by function as follows:

Program services	\$196,480
Supporting services:	
Management and general	<u>44,805</u>
Total	<u>\$241,285</u>

Note 4 - GRANTS RECEIVABLE

Grants receivable at June 30, 1996 comprised the following amounts:

	Building Construction	Medical Director	Total
Current:			
1994 Community Development Block Grant	\$14,043	\$ -	\$ 14,043
East Jefferson General Hospital	_____	125,000	125,000
Totals	<u>\$14,043</u>	<u>\$125,000</u>	<u>\$139,043</u>
Noncurrent:			
East Jefferson General Hospital, net of discount of \$19,999	\$ _____	\$210,091	\$230,091

Grant receivable from East Jefferson General Hospital is to be received in three annual installments in the amount of \$125,000 per year for the years 1996 through 1998.

Note 5 - FINANCIAL SUPPORT

In August, 1995, the Board of Directors of the East Jefferson General Hospital agreed to fund up to one million dollars towards the following areas: \$500,000 for capital costs and \$500,000 for the medical director's salary and benefits to be received in four annual installments of \$125,000.

The Health Center received the first installment of \$125,000 during August, 1995 for the medical director's salary and benefits. The second installment for the medical director's salary was received in September, 1996. For the six months ended June 30, 1996 no payments were received for the medical director's salary. As of June 30, 1996, \$500,000 had been received for capital costs.

Note 3 - RESTRICTIONS ON NET ASSETS

The Health Center classifies the following funding sources as temporarily restricted and accounts for the assets, liabilities, revenues and expense attributable to:

- **East Jefferson General Hospital Grant** - These funds are used for construction and equipment related expenditures. Also, these funds are to be used for the Medical Director's salary and benefits.
- **1994 Department of Housing and Urban Development Community Development Block Grant** - These funds are to be used for the acquisition of certain medical equipment along with construction cost related to the medical clinic.
- **1995 Department of Housing and Urban Development Community Development Block Grant** - These funds are to be used for certain staffing and operational expenses of the medical clinic.
- **Jefferson Parish Land Donation** - This fund accounts for the value of property donated to the Health Center for the medical clinic construction.

Temporarily restricted net assets are restricted by the donor for specific purposes or are available for future periods. The temporarily restricted net assets are comprised of cash, receivables and certain property and equipment.

Temporarily restricted net assets at June 30, 1995, are available for the following purposes or periods:

East Jefferson General Hospital Grant -	
Medical director salary and benefits	\$ 401,004
Construction and equipment acquisition	48,131
1994 Department of Housing and Urban Development Community Development Block Grant -	
Net book value of equipment and building acquired	452,000
1995 Department of Housing and Urban Development Community Development Block Grant -	
Unexpended proceeds from subsequent periods	1,284
Jefferson Parish Land Donation - Net book value of land donated by Jefferson Parish	<u>112,000</u>
Total temporarily restricted net assets	\$1,614,419

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Financial Statement Presentation

In 1996, the Health Center adopted Statement of Financial Accounting Standards, (SFAS) No. 117, "Financial Statements of Non-Profit Organizations". Under SFAS No. 117, the Health Center 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 Health Center is required to present a statement of cash flows. This reclassification had no effect on the change in net assets for the six months ended June 30, 1996.

The Health Center classifies its resources into three separate classes of net assets as follows:

Unrestricted Net Assets - Receives net patient service revenues, grants and other revenues and expends funds for the general operation of the Health Center.

Temporarily Restricted Net Assets - Receives grants and other revenues specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets - The Health Center does not have any permanently restricted net assets.

Note 2 - CONCENTRATION OF CREDIT RISK

The Health Center has its principal office in River Ridge, Louisiana. Medical services are provided to patients of the Health Center who reside primarily in the Harahan and River Ridge area.

In addition, the Health Center maintains its cash balances (including cash equivalents) at several financial institutions located in the New Orleans area. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$100,000. Uninsured balances are approximately \$44,415 at June 30, 1996.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Grants Receivable

Grants are recognized when the grantor makes a promise to give that is, in substance, unconditional. Conditional grants are recognized when the conditions on which they depend are substantially met. For the six months ended June 30, 1996 all unconditional grants were recognized as assets and revenues. All grants receivable are deemed by management to be collectible.

f. Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Donated property is recorded at its fair market value at the date of receipt, which is then treated as cost. Depreciation expense for the six months ended June 30, 1996 totaled \$6,818. Construction on the building which the clinic operates in was completed June 30, 1996. Therefore, no depreciation expense was recorded for the six months ended June 30, 1996.

g. Net Patient Service Revenues

Net patient service revenues represent the estimated net realizable amounts from patients, third-party payers and others for services rendered.

h. Statement of Cash Flows

For the purpose of reporting cash flows, the Health Center consider all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

i. Income Taxes

The Health Center is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

NOTES TO FINANCIAL STATEMENTS**East Jefferson Community Health Center, Inc.**

June 30, 1996

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of East Jefferson Community Health Center, Inc. (the Health Center) is presented to assist in an understanding the Health Center's financial statements. The financial statements and notes are representations of the Health Center's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

a. Organization

The East Jefferson Community Health Center, Inc. is a nonprofit corporation, formed to provide primary health care services to under-served areas in Jefferson Parish.

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Cash and Cash Equivalents

At June 30, 1996, the Health Center had \$280,274 of cash and cash equivalents. This balance is comprised of \$184,946 from unrestricted sources and \$95,328 from temporarily restricted sources.

d. Third-Party Contractual Adjustments

Calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

STATEMENT OF CASH FLOWS

East Jefferson Community Health Center, Inc.

Cash Flows From Operating Activities	
Increase in net assets	\$ 1,016,773
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	6,916
Cumulative effect on prior years of change in the method of accounting for contributions	(922,621)
Amortization of discount on long-term promise to give	(5,638)
(Increase) decrease in assets:	
Accounts receivable - patients	(4,489)
Grants receivable	394,146
Prepaid expenses and deposits	(1,996)
Increase (decrease) in liabilities:	
Accounts payable	5,362
Accrued salaries and wages payable	6,305
Payroll taxes payable	10,142
Net cash provided by operating activities	<u>505,070</u>
Cash Flows Used By Investing Activities	
Building	408,855
Purchase of furniture and equipment	<u>93,661</u>
Net cash used by investing activities	<u>502,516</u>
Net decrease in cash	(57,446)
Cash	
Beginning of year	337,320
End of year	<u>\$ 280,274</u>

See notes to financial statements.

**Exhibit B
(Continued)**

	Unrestricted	Temporarily Restricted	Total
Expenses (Continued)			
Health insurance	3,013		3,013
Labs and pharmacy fees	3,975		3,975
Legal fees	5,100		5,100
Liability and workman's comp insurance	4,050		4,050
Malpractice insurance	3,223		3,223
Marketing expense	3,698		3,698
Meeting and printing expense	346		346
Miscellaneous	3,347		3,347
Office supplies	7,557		7,557
Other	4,830		4,830
Postage and box rental	896		896
Professional conference	900		900
Rent	7,452		7,452
Repairs and maintenance	3,039		3,039
Supplies	3,634		3,634
Telephone	4,706		4,706
Travel	834		834
Utilities	1,045		1,045
Total expenses	<u>241,285</u>		<u>241,285</u>
Increase (Decrease) in Net Assets Before Cumulative Effect Of Change In Accounting Principle	407,084	(312,932)	94,152
Cumulative Effect On Prior Years Of Change In The Method Of Accounting For Contributions		<u>922,621</u>	<u>922,621</u>
Increase In Net Assets	407,084	609,689	1,016,773
Net Assets			
Beginning of year	<u>105,886</u>	<u>409,730</u>	<u>515,616</u>
End of year	<u>\$ 512,970</u>	<u>\$ 1,019,419</u>	<u>\$ 1,532,389</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

East Jefferson Community Health Center, Inc.

For the six months ended June 30, 1996

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Net patient service revenues	\$ 13,175		\$ 13,175
Operating gains:			
Grants:			
Jefferson Parish	50,000		50,000
East Jefferson General Hospital		\$ 5,638	5,638
Community Development Block			
Grant (CDCRGI)		263,436	263,436
Interest	3,188		3,188
Total revenues, gains and other support	66,363	269,074	335,437
Net Assets Released From Restrictions			
Satisfaction of purpose restrictions:			
East Jefferson General Hospital:			
Medical director	51,024	(51,024)	-
Operating salaries and expenses	102,882	(102,882)	-
Construction and equipment	427,200	(427,200)	-
Total net assets released from restrictions	581,006	(581,006)	-
Total revenues, gains, other support and net assets released from restrictions	648,369	(312,932)	335,437
Expenses			
Salary and wages	139,301		139,301
Payroll taxes	12,650		12,650
Advertising	1,291		1,291
Accounting fees	8,611		8,611
Consultants fees	7,500		7,500
Contract labor	1,200		1,200
Depreciation	6,916		6,916
Taxes and subscriptions	140		140
Equipment rental	3,031		3,031

STATEMENT OF FINANCIAL POSITION
East Jefferson Community Health Center, Inc.

June 30, 1996

ASSETS

	<u>Total</u>
Current Assets	
Cash and cash equivalents	\$ 280,149
Petty cash	125
Total cash	280,274
Accounts receivable - patients	4,921
Grants receivable	159,943
Prepaid expenses	10,960
Total current assets	456,198
Property and Equipment	
Equipment (net of accumulated depreciation of \$8,821)	130,535
Building	757,978
Land	117,000
Net property and equipment	1,005,513
Other Assets	
Deposits	2,115
Grant receivable (net of discount of \$19,949)	230,891
Total other assets	233,006
Total	\$ 1,680,997

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 126,619
Accrued salaries and wages payable	6,305
Payroll taxes payable	15,698
Total current liabilities	148,622
Net Assets	
Unrestricted	512,870
Temporarily restricted	1,019,419
Total net assets	1,532,289
Total	\$ 1,680,997

See notes to financial statements.

As discussed in Notes 10) and 8 to the financial statements, on January 1, 1996, East Jefferson Community Health Center, Inc. changed its method of accounting for contributions and its method of reporting and financial statement presentation.

In accordance with Government Auditing Standards, we have also issued a report dated November 14, 1996, on our consideration of East Jefferson Community Health Center, Inc.'s internal control structure and a report dated November 14, 1996, on its compliance with laws and regulations.

Bouygues Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
November 14, 1996.



Missouri Benefits

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
East Jefferson Community Health Center, Inc.

We have audited the accompanying statement of financial position of East Jefferson Community Health Center, Inc. (the Health Center) (a nonprofit corporation) as of June 30, 1996, and the related statements of activities and cash flows for the six months then ended. These financial statements are the responsibility of the Health Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. These standards and OMB Circular A-133 required 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 financial statements referred to above present fairly, in all material respects, the financial position of East Jefferson Community Health Center, Inc. as of June 30, 1996, and the changes in its net assets and its cash flows for the six months then ended in conformity with generally accepted accounting principles.

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To the Board of Directors
East Jefferson Community Health Center, Inc.
November 14, 1996
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Bid Requirements

We need certain purchases of equipment which were required to be bid in accordance with Louisiana Revised Statutes 38:2211-3235 and documentation of compliance was not available for our review. Documentation should be maintained in the purchase file for all applicable purchases of materials, supplies and equipment. The following is a brief summary of bid requirements under Louisiana Revised Statutes 38:2211-3235:

- All purchases of materials and supplies in excess of \$10,000 must be advertised and let to the lowest bidder.
- Advertisement in a daily newspaper must be published two times with the first advertisement being made 15 days prior to opening of bids.
- If bids lower than the accepted bid are received the reasons for their rejection must be recorded and made part of purchase file.
- Three quotes or favorable quotes must be obtained and kept as part of the purchase file for all purchases of material and supplies between \$3,000 and \$10,000.

This information is intended solely for the use of the Board of Directors and management of the East Jefferson Community Health Center, Inc., and should not be used for any other purpose.

Sincerely,



For the Firm,

WJHC

cc: [unclear]



American Institute of Certified Public Accountants

November 14, 1996

To the Board of Directors
East Jefferson Community Health Center, Inc.

In fulfilling our responsibility as auditors for the East Jefferson Community Health Center, Inc. (The Health Center) for the six months ended June 30, 1996, we are required to communicate to the oversight body certain matters related to the conduct of our audit.

For the Health Center, this oversight body is the Board of Directors. We offer the following information to you.

1. Auditor's responsibility under generally accepted auditing standards and government auditing standards

Our audit was conducted in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

As required, separate letters have been issued on the internal control structure and compliance with laws and regulations.

We have complied with the requirements of the Single Audit Act and OMB Circular A-133.

2. Significant Accounting Policies

Significant accounting policies are described in Note 1 to the financial statements. For the six months ended June 30, 1996, the Health Center adopted Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," and SFAS No. 117, "Financial Statement of Not-for-Profit Organizations." No other new accounting policies were adopted nor were any other required to be adopted for the year ended June 30, 1996.

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Financial Report
**East Jefferson Community
Health Center, Inc.**

June 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or receiver, entity and other appropriate public officials. This 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.

Advised Date: 6/27/97

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LEGISLATIVE AUDITOR