

OFFICIAL  
TAX COPY  
**DO NOT SEND OUT**

Order #600900  
copies from the  
copy and P&AC  
BACK in FILE

RECEIVED  
ST. THOMAS HEALTH SERVICES, INC.  
\$100.00 11/21/97

98001052  
9836  
38

**ST. THOMAS HEALTH SERVICES, INC.**

---

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

Release Date 10-14-98

**FINANCIAL AND COMPLIANCE AUDITS  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORTS**

**FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996**

**Bruno  
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORTS .....	1
STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 1997 AND 1996 .....	3
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 1997 .....	4
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996 .....	5
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1997 .....	6
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1996 .....	7
NOTES TO THE FINANCIAL STATEMENTS .....	8
<b>SUPPLEMENTAL INFORMATION:</b>	
Schedule of Expenditures of Federal Awards For the Year Ended December 31, 1997 .....	18
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	19
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	24
EXIT CONFERENCE .....	28

**& Tervalon**

INCORPORATED IN MISSISSIPPI  
200 SOUTH BROADWAY, SUITE 200  
NEW ORLEANS, LOUISIANA 70119

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
**St. Thomas Health Services, Inc.**

We have audited the accompanying statements of financial position of **St. Thomas Health Services, Inc.** (a non-profit corporation) as of December 31, 1997 and 1996 and the related statement of activities for the year ended December 31, 1997 and the statements of functional expenses and cash flows for the years ended December 31, 1997 and 1996. These financial statements are the responsibility of the management of **St. Thomas Health Services, Inc.** Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards, and the standards applicable to Government Auditing Standards, issued by the Comptroller General of the United States. These 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **St. Thomas Health Services, Inc.** as of December 31, 1997 and 1996, and the changes in its net assets for the year ended December 31, 1997 and its cash flows for the years ended December 31, 1997 and 1996 in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT  
(CONTINUED)

To the Board of Directors  
St. Thomas Health Services, Inc.  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 1998 on our consideration of St. Thomas Health Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants or aid for the year ended December 31, 1997.

Our audit was made for the purpose of forming an opinion on the basic financial statements of St. Thomas Health Services, Inc. taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



**BRUNO & TERVALON**  
CERTIFIED PUBLIC ACCOUNTANTS

September 9, 1998

**Bruno**

CERTIFIED PUBLIC ACCOUNTANTS

**& Tervalon**

**ST. THOMAS HEALTH SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 1997 AND 1996**

	1997	1996
<b>ASSETS</b>		
Cash	\$ 28,322	\$ 15,879
Accounts receivable	1,850	2,650
Grants receivable	188,382	110,467
Restricted cash (NOTE 14)	25,000	25,000
Deposits	3,379	3,379
Furniture, equipment and building improvements, net of accumulated depreciation of \$341,299 and \$271,841 in 1997 and 1996 (NOTE 2)	384,241	345,513
<b>Total assets</b>	<b><u>\$631,174</u></b>	<b><u>\$802,888</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 53,186	\$193,388
Due to funding sources (NOTE 2)	1,095	1,095
Loans payable (NOTE 11)	30,000	343,292
<b>Total liabilities</b>	<b><u>84,281</u></b>	<b><u>335,082</u></b>
<b>CONTINGENCIES (NOTE 12)</b>		
<b>NET ASSETS (NOTE 2)</b>		
Unrestricted	137,652	(202,707)
Unrestricted - fixed assets	384,241	345,513
Permanently restricted	25,000	25,000
<b>Total net assets</b>	<b><u>546,893</u></b>	<b><u>167,806</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$631,174</u></b>	<b><u>\$802,888</u></b>

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

ST. THOMAS HEALTH SERVICES, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 1997  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 1996

	Unaudited	Provisionally Restated	December 31, 1997 - Total	December 31, 1996 - Total
<b>OPERATIONAL REVENUES</b>				
Contributions	\$ 215,729	\$ 0	\$ 215,729	\$297,282
Grant revenues	807,566	0	807,566	404,688
Patient revenues	114,834	0	114,834	141,382
Other revenues	<u>13,489</u>	<u>0</u>	<u>13,489</u>	<u>42</u>
Total operating revenues	1,149,618	0	1,163,528	843,392
<b>OPERATIONAL EXPENSES</b>				
Health care	643,076	0	643,076	352,282
Management and general	<u>497,262</u>	<u>0</u>	<u>497,262</u>	<u>812,032</u>
Total operating expenses	1,140,338	0	1,140,338	964,314
Changes in net assets	99,280	0	99,197	(28,272)
Net assets at beginning of year	<u>362,826</u>	<u>25,000</u>	<u>387,826</u>	<u>188,078</u>
Net assets at end of year	<u>\$ 462,106</u>	<u>\$ 25,000</u>	<u>\$ 487,106</u>	<u>\$ 159,806</u>

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

**ST. THOMAS HEALTH SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996**

	1997	1996
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 379,087	\$(28,273)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	69,457	62,259
Changes in operating assets and liabilities:		
Increase in restricted cash	-0-	(25,000)
(Increase) decrease in accounts and grants receivable	(77,113)	20,681
Increase in deposits	-0-	(888)
Decrease in accounts payable	(148,201)	(27,869)
Increase in due to funding source	<u>-0-</u>	<u>1,695</u>
Net cash provided by operating activities	<u>291,228</u>	<u>10,405</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment	(108,186)	(14,310)
Net cash used in investing activities	<u>(108,186)</u>	<u>(14,310)</u>
<b>Cash Flows from Financing Activities</b>		
Loans from sponsor organization	70,000	202,000
Repayment of loans to sponsor organization	(180,592)	(187,800)
Net cash (used in) provided by financing activities	<u>(110,592)</u>	<u>14,200</u>
Net increase in cash	12,443	11,695
Cash at the beginning of the year	<u>15,872</u>	<u>4,784</u>
Cash at the end of year	<u>\$ 28,315</u>	<u>\$ 16,479</u>

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

BT, BROADBAND HEALTH SERVICES, INC.  
STATEMENT OF POSITIONING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1999

	STYLING SERVICES SUMMARY	WATERFRONT CHILD SUPPORT	CRIBAT RESTRUCTURING	STYAN SUNTS	COMMUNITY DEVELOPMENT BLACK REORGANIZING	TOTAL BROADBAND CARE	MANAGEMENT AND GENERAL	TOTAL
<b>EXPENSES</b>	\$5,456	\$10,498	\$11,571	\$90,751	\$98,562	\$69,544	\$10,254	\$ 71,838
Salaries and related payroll taxes	3,222	4,001	2,491	791	404	1,587	3,361	21,548
Employee benefits	5,299	-	8,081	1,200	-	1,842	8,171	34,799
Other	595	-	-	-	-	564	9,471	9,470
Reimbursement fees	1,388	-	2,811	-	-	1,689	1,298	4,386
Professional fees and consulting services	14,742	-	18,000	-	-	30,232	81,478	84,361
Supplies and materials	2,746	6,897	-	-	-	8,891	1,188	6,648
Telephone and entertainment	3,275	-	1,749	1,487	14,174	23,412	20,471	34,629
Printing and laboratory supplies	1,478	-	-	-	-	1,118	1,166	4,171
Office supplies	-	-	-	-	-	-	1,251	1,248
Traveling and entertainment	29,279	-	-	-	-	29,799	339	1,077
Printing	247	-	-	-	-	471	4,769	5,298
Utilities	1,813	3,473	-	-	-	9,541	9,471	9,828
Subscriptions	203	-	-	-	-	23	224	312
Medical and professional fees and charges	-	-	-	-	-	-	1,391	1,391
Taxes, licenses and permits	-	-	-	-	-	-	5,428	6,028
Construction	25	-	-	-	-	23	18	38
Travel	1,423	-	-	-	-	1,029	381	1,479
Video camera	585	-	-	-	-	31	4,271	4,716
Leased equipment	4,200	-	-	-	-	4,001	3,899	7,899
Contract labor	588	-	-	-	-	88	4,347	5,279
Computer supplies	1,728	-	-	-	-	1,214	6,292	3,128
Depreciation	-	-	-	-	-	-	8,071	8,071
<b>Total Expenses</b>	\$66,255	\$10,498	\$22,488	\$92,116	\$114,825	\$92,535	\$41,135	\$41,135

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



ST. THOMAS HEALTH SERVICES, INC.  
STATEMENT OF OPERATIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 199

	MATERIAL CHARGES	GRANT INDICATIONS	RYAN SALARY	PREVIOUS SALARY SCHEDULE	PAUSE DISE COLLEAGUES	TOTAL HEALTH CARE	MANAGEMENT AND GENERAL	TOTAL EXPENSES
<b>EXPENSES</b>								
Meals and related things	\$17,028	\$10,480	\$4,477	\$6,216	1	\$26,201	\$12,178	\$38,379
Books	+	1,811	28	2,028	+	3,867	18,241	22,108
Business	+	88	+	+	+	88	1,611	1,699
Cable	+	43	+	+	+	83	2,611	2,694
Education fee	+	3,060	+	+	+	3,060	16,456	19,516
Food and beverage	+	+	+	+	+	+	1,800	1,800
Office and maintenance	+	4,379	+	+	+	4,379	13,174	17,553
Pharmacy and laboratory	+	1,111	+	+	+	2,222	6,071	8,293
Supplies	+	8	+	+	+	8	2,148	2,156
Office printing	+	80	+	+	+	80	2,111	2,191
Medical and supplies	+	80	+	+	+	80	2,111	2,191
Telephone	+	+	+	+	+	+	2,111	2,191
Printing	+	1,026	+	+	+	2,052	1,641	3,693
Books	+	80	+	+	+	80	911	1,091
Utilities	+	+	+	+	+	+	6,216	8,216
Subscriptions	+	+	+	+	+	+	2,044	2,044
Depreciation	+	+	+	+	+	+	911	911
Travel and insurance	+	+	+	+	+	+	2,611	2,611
Taxes, licenses and permits	+	+	+	+	+	+	2,611	2,611
Equipment rental	+	1,111	+	+	+	2,222	2,611	4,833
	<b>\$111,021</b>	<b>\$11,141</b>	<b>\$4,228</b>	<b>\$11,221</b>	<b>1</b>	<b>\$111,220</b>	<b>\$11,141</b>	<b>\$122,361</b>

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

ST. THOMAS HEALTH SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 1 - Organization:

*St. Thomas Health Services, Inc. (St. Thomas or the Clinic)* is a community-based, nonprofit, primary health care clinic that provides ambulatory health care services, including diagnostic testing and medications, to the medically indigent of the St. Thomas Housing Development and surrounding area.

The Clinic was founded in 1987 to improve the health status in the service area with major emphasis being placed on disease prevention.

Start-up funds, equipment, as well as on-going financial support for the operation of the Clinic in a neighborhood where 70-80% of residents are uninsured and where 25% of the patients are homeless, have been obtained primarily from private sources and various grants. The Clinic also makes use of support services offered by neighboring social service agencies and hospitals such as Hope House, Kingsley House, Bridge House and the New Orleans medical community. The Clinic also lends its support through the provision of specialized laboratory testing, diagnostic services and hospitalization services at low or no cost.

St. Thomas is governed by a fifteen (15) member Board of Directors all of whom serve until their resignation or removal from the Board.

In order to assist the Clinic in meeting its goals and mission of providing services as a primary health care clinic, St. Thomas has applied for and been awarded several government grants. During the year ended December 31, 1997, St. Thomas received and administered the following governmental grants and programs:

• **MATERNAL AND CHILD HEALTH CARE PROGRAM**

This program, funded by a grant from the State of Louisiana, Department of Health and Hospitals, provides services as follows:

- Comprehensive pediatric care to a defined number of children.

ST. THOMAS HEALTH SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 1 - Organization, Continued:

• MATERNAL AND CHILD HEALTH CARE PROGRAM, CONTINUED

- Comprehensive health care to a defined number of adult women and adolescents of child bearing age.
- Social work and nutrition services.
- Coordination of maternal and child health services offered at the clinic with WIC and Medicaid.
- Development of outreach programs to increase access to primary health care.

• RYAN WHITE

*St. Thomas* received a grant from the City of New Orleans, the Mayor's Office of Health Policy to provide health care for individuals afflicted with AIDS.

• GREAT EXPECTATIONS

*St. Thomas* received a grant from the City of New Orleans (Great Expectations Foundation) to provide low-risk prenatal, family planning and general obstetrical services.

• COMMUNITY DEVELOPMENT BLOCK GRANT

*St. Thomas* received a grant from the City of New Orleans to provide health care services to eligible patients.

**ST. THOMAS HEALTH SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 2 - Summary of Significant Accounting Policies:**

**Principles of Accounting**

*St. Thomas* is a non-profit, community based health clinic whose financial statements are prepared on the accrual basis and in accordance with generally accepted accounting principles. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Basis of Reporting**

*St. Thomas* has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 117 which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted and permanently restricted net assets according to externally (donor) imposed restrictions.

A description of the three net asset categories is as follows:

Unrestricted net assets include the following:

- a. Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of *St. Thomas* are included in this category. *St. Thomas* has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of *St. Thomas* and, therefore, *St. Thomas'* policy is to record these net assets as unrestricted.

**ST. THOMAS HEALTH SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 2 - Summary of Significant Accounting Policies, Continued:**

**Basis of Accounting, Continued**

Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

At December 31, 1997, St. Thomas did not have any temporarily restricted net assets.

**Furniture, Equipment and Building Improvements**

Furniture, equipment and building improvements of St. Thomas are recorded as assets and are stated at historical cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	5 years
Building improvements	15 years

**Support and Revenues**

Revenues received under government grant programs are recognized when earned.

ST. THOMAS HEALTH SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Support and Revenue, Continued

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Due to Funding Sources

This amount represents unexpended grant funds that are required to be repaid to the funding source.

Prior Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with St. Thomas' financial statements for the year ended December 31, 1995, from which the summarized information was derived.

Cash Equivalents

For purposes of the Statements of Cash Flows, St. Thomas considers all investments purchased with a maturity of three months or less to be cash equivalents.

**ST. THOMAS HEALTH SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 3 - Economic Dependency:**

The primary source of revenue for *St. Thomas* is federal, state and local grants provided through various funding agencies. The continued success of *St. Thomas* is dependent upon the renewal of contracts from current funding sources as well as obtaining new funding.

**NOTE 4 - Unrestricted Contributions:**

Contributions consist of donations made to *St. Thomas* to provide support to the operation of the clinic as well as to fund specific projects as designated by the donor or the Board of Directors.

**NOTE 5 - Government Grants:**

*St. Thomas* is the recipient of several federal awards as disclosed in the Schedule of Expenditures of Federal Awards. Included in government grant revenues are funds disbursed from several funding sources to provide funds for the implementation of various community programs as well as to support the operations of *St. Thomas*. The method of payment on the grants is cost reimbursement.

**NOTE 6 - Clinic Revenues:**

*St. Thomas* provides medical assistance to eligible Medicaid recipients and receives reimbursements from the State of Louisiana's Department of Health and Human Services for claims submitted in conjunction with those services provided. Reimbursements for Medicaid and Medicare claims submitted as of December 31, 1997 totaled \$28,137 and is included in patient revenues.

**ST. THOMAS HEALTH SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 7 - Building Lease:**

On January 30, 1991, *St. Thomas* executed a fifteen (15) year lease agreement with the Society of Redeemptors Order for the use of a building located at 1030 St. Andrew Street. The terms of the lease require *St. Thomas* to be responsible for the complete renovation of the building, upkeep and maintenance of the property, utilities and insurance coverage for the building and its contents.

Additionally, *St. Thomas* will not be required to pay any monthly rental expense. The amount of the related value of such arrangement has not been determinable at this time.

The building is to be used solely for the purpose of a neighborhood primary health care facility.

**NOTE 8 - Program Income:**

Program income totaling \$14,514 for the Community Development Block Grant was calculated based upon the percentage relationship of the direct cost of the Community Development Block Grant's program expenditures to the total expenditures (excluding depreciation). The resulting percentage was then applied to patient revenues.

**NOTE 9 - Pension Plan:**

Certain employees of *St. Thomas* participate in a 401k Pension Plan which was established during January 1996. The plan is funded by employee deductions which are not required to be matched by *St. Thomas*.



ST. THOMAS HEALTH SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 10 - Income Taxes:

St. Thomas is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code.

NOTE 11 - Loans Payable:

	1997	1996
Non-interest bearing demand loan	\$10,000	\$ 75,000
Non-interest bearing demand loan provided by a sponsor corporation	-0-	25,599
Non-interest bearing term loan provided by a sponsor corporation	20,000	40,000
Total	<u>\$30,000</u>	<u>\$140,599</u>

During 1994, St. Thomas received a non-interest bearing term loan totaling \$100,000 from a sponsor corporation which is forgiven in five equal installments of \$20,000, commencing December 31, 1994. The balance of the term loan is \$20,000 at December 31, 1997.

NOTE 12 - Contingency:

St. Thomas is a recipient of several grants and awards of Federal and State funds. These grants and awards are governed by various Federal and State guidelines, regulations, and contractual agreements.

**ST. THOMAS HEALTH SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 12 - Commingling, Continued:**

The administration of the programs and activities funded by these grants and awards is under the control and administration of *St. Thomas* and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

**NOTE 13 - Fair Value of Financial Instruments:**

The estimated fair value of all significant financial statement amounts have been determined by *St. Thomas* using available market information and appropriate valuation methodologies.

*St. Thomas* considers the carrying amounts of cash and restricted cash, grant receivables, and loans payable to be fair value.

**NOTE 14 - Restricted Cash:**

On June 28, 1996, *St. Thomas* received a \$25,000 grant from the Fannie Mae Foundation in which the interest income is to be utilized to establish a revolving loan fund for expectant mothers who are uninsured and not eligible for federal or local government assistance with their health care. Such funds are recorded as permanently restricted net assets.

## **SUPPLEMENTAL INFORMATION**

**ST. THOMAS HEALTH SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 1997**

FEDERAL GRANTOR/PROGRAM NAME	Federal CFDA Or Other Number	Pass-Through Entity's Number	Activity
<b>U.S. Department of Housing and Urban Development</b>			
<b>CHDO Enforcement and Small Cities Cluster</b>			
<i>Awards from a Pass-Through Entity</i>			
<i>Through: City of New Orleans</i>			
Community Development Block Grant	14.518	C1950-88(90)	\$134,500
<b>U.S. Department of Health and Human Services</b>			
<i>Awards from a Pass-Through Entity</i>			
<i>Through: City of New Orleans</i>			
<b>HIV Emergency Relief Cluster</b>			
HIV Emergency Relief Grant - Ryan Wife Program	93.005	210-6835	55,187
Healthy Start Initiative - Grant Expectations	93.006	360-P2123	151,666
<i>Through: State of Louisiana's Office of Public Health</i>			
Maternal Child Health Program	93.094	525-143 513-450	183,126
<b>Total Expenditures of Federal Awards</b>			<b>\$369,313</b>

See the Independent Auditors' Report on Supplementary Information.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

To the Board of Directors  
**St. Thomas Health Services, Inc.**

We have audited the financial statements of the **St. Thomas Health Services, Inc. (St. Thomas)** as of and for the year ended December 31, 1997, and have issued our report thereon dated September 9, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

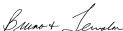
As part of obtaining reasonable assurance about whether **St. Thomas'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements' amounts. However, providing an opinion on compliance with these 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Thomas' 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 consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of St. Thomas in a separate letter dated September 9, 1998.

This report is intended for the information of the Board of Directors, management, the State of Louisiana, and the City of New Orleans. However, this report is a matter of public record and its distribution is not limited.



**BRUNO & TERVALON**  
CERTIFIED PUBLIC ACCOUNTANTS

September 9, 1998

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

To the Board of Directors  
St. Thomas Health Services, Inc.

### Compliance

We have audited the compliance of St. Thomas Health Services, Inc. (St. Thomas) with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Requirement that are applicable to its major federal programs for the year ended December 31, 1997. St. Thomas' major federal programs are identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of St. Thomas' management. Our responsibility is to express an opinion on St. Thomas' compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of Direct, Local Government, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-113  
(CONTINUED)

An audit includes examining, on a test basis, evidence about **St. Thomas'** compliance with these 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 **St. Thomas'** compliance with these requirements.

In our opinion, **St. Thomas** complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 1997.

#### **Internal Control Over Compliance**

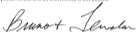
The management of **St. Thomas** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **St. Thomas'** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-113.

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.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-113  
(CONTINUED)

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



**BRUNO & TERVALON**  
CERTIFIED PUBLIC ACCOUNTANTS

September 9, 1998

**ST. THOMAS HEALTH SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1997**

---

1. Type of report issued on the financial statements: Unqualified.
2. Did the audit disclose any reportable conditions in internal control: No.
3. Were any of the reportable conditions material weaknesses: No.
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization: No.
5. Did the audit disclose any reportable conditions in internal control over major programs: No.
6. Were any of the reportable conditions in internal control over major programs material weaknesses: No.
7. Type of report issued on compliance for major programs: Unqualified.
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 5.10(i): No.
9. The following is an identification of major programs:

CFDA Number	Federal Program
93.994	Maternal Child Health
14.218	Community Development Block Grant

ST. THOMAS HEALTH SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1997

---

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 320(b) is as follows:

<u>Program</u>	<u>Amount</u>
Type A	\$500,000

11. Did the auditee qualify as a low-risk auditee under OMB Circular A-133, Section 320:  
No.

SCHEDULE II

ST. THOMAS HEALTH SERVICES, INC.  
SCHEDULE OF FINANCES AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 1997  
FINANCIAL STATEMENTS FINANCES

---

There were no reportable conditions and material weaknesses and no instances of noncompliance related to the financial statements that were required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

**SCHEDULE III**

**ST. THOMAS HEALTH SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 1997  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

---

There were no reportable conditions, material weaknesses and no instances of noncompliance that were required to be reported in accordance with Section 510-(a) of OMB Circular A-133.

ST. THOMAS HEALTH SERVICES, INC.

---

**EXIT CONFERENCE**

An exit conference was held and those in attendance were as follows:

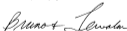
ST. THOMAS HEALTH SERVICES, INC.

Dr. Mary Abell	--	Medical Director
Ms. Barbara Major	--	Executive Director
Mr. Hobby Drannon	--	Board Member
Ms. Janice Miles	--	Office Administrator

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Alcide J. Tervalon, Jr., CPA	--	Partner
Mr. Edward Phillips, Jr.	--	Senior Manager

The audit report was discussed. This report is intended solely for the use of the Board of Directors, management, the City of New Orleans and the State of Louisiana and should not be used for any other purpose.



BRUNO & TERVALON  
CERTIFIED PUBLIC ACCOUNTANTS

September 9, 1998

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

To the Board of Directors  
**St. Thomas Health Services, Inc.**  
New Orleans, Louisiana

We have audited the financial statements of the **St. Thomas Health Services, Inc.** for the year ended December 31, 1997 and have issued our report thereon dated September 9, 1998.

During our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters.

This letter does not affect our report dated September 9, 1998 on the financial statements of the **St. Thomas Health Services, Inc.**

## ST. THOMAS HEALTH SERVICES, INC.

### IRRESPONSIBLE AUDITORS' COMMENTS TO MANAGEMENT

#### 1 Grant Reimbursement

We noted during our audit that management of St. Thomas (St. Thomas) had requested and received \$4,000 from the Great Expectations Program as reimbursement for certain medical costs. However, St. Thomas had not paid the contractor for such medical costs until August, 1998.

We recommended that St. Thomas adhere to established procedures for the payment and requesting reimbursement of grant costs.

#### 2 Fannie Mae Foundation Grant

We noted during our audit that St. Thomas had not invested the \$25,000 Fannie Mae Foundation Grant in an interest bearing account as specified by the funding source.

We recommended that St. Thomas take immediate steps to ensure compliance with the terms and conditions of the grant.

#### 3 Record Retention

We noted during our audit that St. Thomas had experienced difficulties in locating certain purchase orders, invoices and grant documents that were requested for the audit.

We recommended that management adhere to established procedures with regard to the filing of vendor invoices, purchase orders and grant documents.



ST. THOMAS HEALTH SERVICES, INC.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT  
(CONTINUED)

4 Grant Billing Request

We noted during our audit that St. Thomas failed to prepare the September, 1997 monthly billing request for the Maternal Child Health Program.

We recommended that St. Thomas adhere to established procedures with regard to billing grant funding sources.

5 Timely Completion of Audit

We noted during our audit that St. Thomas had not maintained the accounting records in a manner to ensure the timely completion of the annual audit within the time requirements stipulated by the State of Louisiana.

We recommended that management of St. Thomas take immediate steps to ensure that the accounting records are properly maintained and that audits are completed and issued within stipulated time frames.

ST. THOMAS HEALTH SERVICES, INC.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT  
(CONTINUED)

\*\*\*\*\*

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



**BRUNO & TERVALON**  
**CERTIFIED PUBLIC ACCOUNTANTS**

September 9, 1998

**ST. THOMAS HEALTH SERVICES, INC.  
CORRECTIVE ACTION PLAN-SAS/ADAMS/TITLE IX COMPLAINTS  
DECEMBER 11, 1991**

---

SAS/ADAMS/TITLE IX COMPLAINTS	PROPOSED CORRECTIVE ACTIONS	ANTICIPATED DATE COMPLETED	CONTACT PERSONS	THOMAS HEALTH SERVICES' COMMENTS
Open Breachroom	A new system has been implemented to monitor guest satisfaction.	September 1991	Robert Shapiro	Yes
Front Desk Postcard Close	Library will be transferred to an internet landing screen.	September 1991	Robert Shapiro	See Appendix
Garage Bandwidth	St. Thomas has purchased the necessary equipment needed to upgrade the filing system. St. Thomas will adhere to the procedures as defined concerning this.	October 1991	Robert Shapiro	No
Open Parking Program	A new system has been implemented to monitor and calculate guest satisfaction.	October 1991	Robert Shapiro	No
Tandy Computer of 1980	St. Thomas is in the process of implementing an inventory system that will address these concerns.	October 1991	Robert Shapiro	No

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

St. Thomas Health Services

For the Year Ended December 31, 1996

Finding Title: Payroll Costs - Great Expectation Program

Schedule Schedule of Prior Findings and recommendations

Page Number 17

Reference Number Item Number 1

Program Name(s): Great Expectation Program

CFDA Number(s): 93.999

Status of Finding: St. Thomas Health Services has made arrangements with the Great Expectation Program to recover the amount in question via equipment or a deduction from a future invoice.

Preparer's Signature: *Richard Meyer*  
Phone Number: (504) 529-5228

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

St. Thomas Health Services

For the Year Ended December 31, 1996

Finding Title: Program Income

Schedule Schedule of Prior Findings and Recommendations

Page Number 37

Reference Number Item Number 3

Program Name(s): Great Expectations and Community Development Block Grant

CFDA Number(s): 93.508/18,738

Status of Finding: During the year ended December 31, 1997, St. Thomas Health Services developed a process to accurately calculate and monitor program income for all grant programs.

Preparer's Signature: *Barbara Meyer*

Phone Number: (504) 538-5328

