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TECHE ACTION BOARD, INC.

AUDIT REPORT

MAY 31, 1998

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

Release Date **FEB 24 1999**

TECHE ACTION BOARD, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Teche Action Board, Inc.
Franklin, Louisiana

We have audited the statement of financial position of Teche Action Board, Inc., as of May 31, 1998, and the related statements of activities, cash flows and functional expenses for the fiscal year then ended. These financial statements are the responsibility of the Corporation'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 and Office of Management and Budget Circular A-133. 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. 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 Teche Action Board, Inc., as of May 31, 1998, and the results of its operations and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with government auditing standards, we have also issued our report dated August 12, 1998 on our consideration of Teche Action Board, Inc.'s internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Teche Action Board, Inc., taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, and is not a required part of the basic financial statements. The information in the 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.

August 12, 1998

Dozier, Hughley & Associates, P.C.
Dozier, Hughley & Associates, P.C.

TECHE ACTION BOARD, INC.
STATEMENT OF FINANCIAL POSITION
MAY 31, 1998

<u>ASSETS</u>	<u>COMBINED</u>	<u>PRIMARY CARE</u>	<u>PROPERTY</u>
<u>Current</u>			
Cash	\$ 46,354	46,354	\$ -
Accounts Receivable, Patients' Services (NOTE 2)	279,028	279,028	-
Accounts Receivable, Settlements (NOTE 3)	76,019	76,019	-
Accounts Receivable, Other	9,712	9,712	-
Inventory (NOTE 4)	31,702	31,702	-
Prepaid Expenses	7,831	7,831	-
	-----	-----	-----
Total Current Assets	450,646	450,646	-
<u>Property NET (NOTES 1 AND 5)</u>			
Land Improvements	2,514	-	2,514
Building and Improvements	968,163	-	968,163
Furniture and Equipment	87,847	-	87,847
	-----	-----	-----
Total Property	1,058,524	-	1,058,524
	-----	-----	-----
Total Assets	\$ 1,509,170	450,646	\$ 1,058,524
	=====	=====	=====
<u>LIABILITIES AND NET ASSETS</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 22,352	22,352	\$ -
Accrued Payroll and Related Payables	89,341	89,341	-
Lease Obligation (NOTE 6)	2,908	-	2,908
	-----	-----	-----
Total Current Liabilities	114,601	111,693	2,908
<u>Non-Current Liabilities</u>			
Lease Obligation (NOTE 6)	12,481	-	12,481
	-----	-----	-----
Total Liabilities	127,082	111,693	15,389
<u>Net Assets</u>			
Restricted (NOTE 7)	1,382,088	338,953	1,043,135
	-----	-----	-----
Total Liabilities and Net Assets	\$ 1,509,170	450,646	\$ 1,058,524
	=====	=====	=====

The notes are an integral part of these financial statements.

TECHE ACTION BOARD, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED MAY 31, 1998

	<u>COMBINED</u>	<u>PRIMARY CARE</u>	<u>PROPERTY</u>
<u>SUPPORT AND REVENUES</u>			
Grant, Public Health Service	\$ 1,195,215	1,195,215	\$ -
Other Grants and Contracts	121,750	121,750	-
Revenues, Patients' Services	1,242,943	1,242,943	-
Interest and Other	23,956	23,956	-
	-----	-----	-----
Total Support and Revenues	2,583,864	2,583,864	-
<u>EXPENSES</u>			
Salaries	1,401,814	1,401,814	-
Fringe Benefits	193,609	193,609	-
Contractual Services	180,900	180,900	-
Supplies	334,823	334,823	-
Travel	21,812	21,812	-
Occupancy	21,790	21,790	-
Repairs and Maintenance	16,090	16,090	-
Telephone and Postage	34,425	34,425	-
Dues and Registration	12,553	12,553	-
Insurance	24,625	24,625	-
Continuing Education and Meetings	4,301	4,301	-
Advertising	12,487	12,487	-
Automobile Expenses	6,205	6,205	-
Recruitment and Development	13,956	13,956	-
Interest	9,878	9,878	-
Other	5,058	5,058	-
Sub-Contract, Capital City (NOTE 8)	201,666	201,666	-
Depreciation	83,935	-	83,935
	-----	-----	-----
Total Expenses	2,579,927	2,495,992	83,935
	-----	-----	-----
Support and Revenues Over (Under) Expenses	3,937	87,872	(83,935)
Net Assets, May 31, 1997	1,378,151	281,252	1,096,899
Acquisition of Capital Items (NET)	-	(28,409)	28,409
Reduction In Principal of Capital Lease	-	(1,762)	1,762
	-----	-----	-----
Net Assets, May 31, 1998	\$ 1,382,088	338,953	\$ 1,043,135
	=====	=====	=====

The notes are an integral part of these financial statements.

TECHE ACTION BOARD, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MAY 31, 1998

	<u>COMBINED</u>	<u>PRIMARY CARE</u>	<u>PROPERTY</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Support and Revenues Over (Under) Expenses	\$ 3,937	87,872	\$(83,935)
Change In Operations To Cash Used By Operating Activities:			
Depreciation	83,935	-	83,935
Increase In Accounts Receivable, Patients' Services	(77,672)	(77,672)	-
Increase In Accounts Receivable, Settlements	(36,183)	(36,183)	-
Increase In Accounts Receivable, Other	(9,712)	(9,712)	-
Decrease In Inventory	2,689	2,689	-
Decrease In Prepaid Expenses	4,370	4,370	-
Decrease In Accounts Payable	(5,966)	(5,966)	-
Decrease In Accrued Payroll and Related Payables	(2,743)	(2,743)	-
	-----	-----	-----
Net Cash From Operating Activities	(37,345)	(37,345)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Acquisition of Capital Items	(28,409)	(28,409)	-
	-----	-----	-----
Net Cash From Investing Activities	(28,409)	(28,409)	-
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>			
Principal Reduction in Capital Leases	(1,762)	(1,762)	-
	-----	-----	-----
Net Cash From Financing Activities	(1,762)	(1,762)	-
	-----	-----	-----
Net Change In Cash	(67,516)	(67,516)	-
Cash Balance, May 31, 1997	113,870	113,870	-
	-----	-----	-----
Cash Balance, May 31, 1998	\$ 46,354	46,354	\$ -
	=====	=====	=====

The notes are an integral part of these financial statements.

TECHE ACTION BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED MAY 31, 1998

	<u>COMBINED</u>	<u>MEDICAL SERVICES</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>ADMINIS- TRATION</u>
Salaries	\$ 1,401,814	1,135,520	-	\$ 266,294
Fringe Benefits	193,609	156,834	-	36,775
Contractual Services	180,900	74,161	-	106,739
Supplies	334,823	292,963	-	41,860
Travel	21,812	7,599	-	14,213
Occupancy	21,790	17,650	-	4,140
Repairs and Maintenance	16,090	9,997	-	6,093
Telephone and Postage	34,425	27,884	-	6,541
Dues and Registration	12,553	10,623	-	1,930
Insurance	24,625	8,179	-	16,446
Continuing Education and Meetings	4,301	4,301	-	-
Advertising	12,487	-	-	12,487
Automobile Expenses	6,205	6,205	-	-
Recruitment and Development	13,956	13,606	-	350
Interest	9,878	-	-	9,878
Other	5,058	150	-	4,908
Sub-Contract, Capital City	201,666	-	201,666	-
Depreciation	83,935	71,345	-	12,590
	-----	-----	-----	-----
Total Expenses	\$ 2,579,927	1,837,017	201,666	\$ 541,244
	=====	=====	=====	=====

The notes are an integral part of these financial statements.

TECHE ACTION BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 1998

NOTE 1 -- Summary of Significant Accounting Policies:

- A. Teche Action Board, Inc., was incorporated in May 1974 in an effort to develop and maintain an organization which is capable of serving the needs for social and physical health for residents in the area. The Board is principally funded under a grant from the Office of Public Health Service, a component of the Department of Health and Human Services.
- B. The Board requests funds from the Department of Health and Human Services (HHS), in accordance with the grant agreement. In accordance with HHS policies, all funds disbursed should be in compliance with the specific terms of the grant, as defined. HHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of noncompliance by the Board with the terms of the grant. In addition, if the Board terminated its HHS grant activities, all unexpended funds are to be returned to HHS.
- C. Property and equipment acquired with HHS funds are considered to be owned by the Board while used in the program or in future authorized programs. However, HHS retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale of such assets. Accordingly, the Board may not transfer, mortgage, assign, lease or in any other manner, encumber certain property items without the prior approval of HHS.
- D. These financial statements are presented on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recorded when incurred.
- E. The Board is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, as amended.
- F. The Board has two major funds. They are Primary Care and Property. The Primary Care Fund is used to account for all transactions related to the primary care program funded by Public Health Service. The program is designed to provide care to low-income patients. The Property Fund is used to account for all non-expendable property.

TECHE ACTION BOARD, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 MAY 31, 1998

NOTE 1 - Summary of Significant Accounting Policies (Continued):

- G. The Board instituted a 401(k) retirement plan which covers all eligible employees. The plan expenses for the fiscal year, which included administrative expenses were \$15,481. The plan was properly funded.
- H. The Board provides medical services to all requesting individuals. In cases where patients are economically unable to pay, discounts are provided, as required by Federal regulations. The Board has made provisions for any risk associated with services provided.
- I. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Accounts Receivable, Patients' Services

The Board extends credit to patients, as well as third party intermediaries responsible for medical services provided to patients. In most cases, the amount collected is less than the amount billed. The amount presented in accounts receivable is sixty-two (62) percent of the gross amount.

NOTE 3 - Accounts Receivable, Settlement

The Board participates in cost reimbursement programs with Medicaid and Medicare. Accordingly, the Board is paid at interim rates during the fiscal year and reimbursed at full-eligible costs at the end of the fiscal year. Anticipated settlement amounts are presented below:

	<u>Medicaid</u>	<u>Medicare</u>	<u>Total</u>
May 31, 1995	\$ (3,184)	-	\$ (3,184)
May 31, 1997	10,055	-	10,055
May 31, 1998	50,358	18,790	69,148
	-----	-----	-----
Total	\$ 57,229	18,790	\$ 76,019
	=====	=====	=====

TECHE ACTION BOARD, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 MAY 31, 1998

NOTE 4 - Inventory

Inventory consists of pharmaceutical and office supplies on hand at May 31, 1998. All items are valued at cost.

NOTE 5 - Property

In accordance with Federal Regulation 45 CFR, Part 74, depreciation expense on property purchased with Federal funds cannot be charged as an expense to the Federal program. Therefore, depreciation expense is reflected only in the Property Fund. The straight-line method of calculating depreciation is used. A summary of net property is presented below:

<u>Item</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land Improvements	\$ 3,142	628	\$ 2,514
Building and Improvements	1,236,514	268,351	968,163
Furniture and Equipment	408,471	320,624	87,847
	-----	-----	-----
Total	\$ 1,648,127	589,603	\$ 1,058,524
	=====	=====	=====

NOTE 6 - Lease Obligation

The Board entered into a capital lease agreement with the Great America Leasing Corporation for two copier machines. The lease is for a period of sixty (60) months and the annual interest rate is 11.5 percent. The monthly payment is \$377. Interest expense paid during the fiscal year was \$1,253 and depreciation expense recorded was \$2,287. A summary of future principal payments is presented below:

Total Payments	\$ 19,604
Interest	4,215

Principal Balance	\$ 15,389
	=====
May 31, 1999	\$ 2,908
May 31, 2000	3,260
May 31, 2001	3,654
May 31, 2002	4,095
May 31, 2003	1,472

	\$ 15,389
	=====

TECHE ACTION BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 1998

NOTE 7 - Net Assets

Utilization of net assets is controlled by the Board of Directors. Any portion of net assets generated with Federal funds may require Federal approval before future utilization or disposition. This restriction is considered temporary.

NOTE 8 - Sub-Contract, Capital City

Teche Action Board, Inc., agreed to serve as a pass-through grantee for Capital City Health Center in Baton Rouge, Louisiana, a newly formed Federally funded health Center. Based on the Board's understanding of its fiduciary responsibility, Federal funds were transferred to Capital City for operational use. The Board does not take any responsibility for Capital City's utilization of the funds in accordance with Federal regulations.

NOTE 9 - Charity Care

The Board provides care to patients who qualify under Federal guidelines and other policies of the Board at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care is \$576,820.

NOTE 10 - Sharing the Care Program

The Board participates in several pharmaceutical distribution programs for indigent patients. Under these programs, free prescriptions are provided to eligible patients of the Board. The value, estimated to be \$564,957, is not included in the statement of activities.

TECHE ACTION BOARD, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED MAY 31, 1998

<u>GRANTOR</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>FEDERAL SUPPORT</u>	<u>NON FEDERAL REVENUE</u>	<u>FEDERAL EXPENSES</u>	<u>NON FEDERAL EXPENSES</u>
<u>MAJOR</u>						
HHS	93.224	CSH600374	\$ 1,195,215	1,388,649	1,195,215	\$ 1,300,777
			-----	-----	-----	-----
	Total		\$ 1,195,215	1,388,649	1,195,215	\$ 1,300,777
			=====	=====	=====	=====

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

Board of Directors
Teche Action Board, Inc.
Franklin, Louisiana

We have audited the financial statements of Teche Action Board, Inc., as of and for the fiscal year ended May 31, 1998, and have issued our report thereon, dated August 12, 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 Teche Action Board, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Teche Action Board, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or

Board of Directors
Teche Action Board, Inc.
Page 2

Internal Control Over Financial Reporting (Continued)

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 statement 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.

This report is intended for the information of the Board of Directors, management and funding sources. However, this report is a matter of public record and its distribution is not limited.

August 12, 1998

Dozier, Hughley & Associates, P.C.
Dozier, Hughley & Associates, P.C.

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

Board of Directors
Teche Action Board, Inc.
Franklin, Louisiana

Compliance

We have audited the compliance of Teche Action Board, Inc., with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the major federal program for the year ended May 31, 1998. Teche Action Board, Inc.'s major federal program is identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of Teche Action Board, Inc.'s management. Our responsibility is to express an opinion on Teche Action Board, Inc.'s 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, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Teche Action Board, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Teche Action Board, Inc.'s compliance with those requirements.

In our opinion, Teche Action Board, Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended May 31, 1998.

Internal Control Over Compliance

The management of Teche Action Board, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirement of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Teche Action Board, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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.

This report is intended for the information of the Board of Directors, management and funding sources. However, this report is a matter of public record and its distribution is not limited.

August 12, 1998

Dozier, Hughley & Associates, P.C.
Dozier, Hughley & Associates, P.C.

TECHE ACTION BOARD, INC.
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED MAY 31, 1998

A. Summary of Audit Results

1. Type of Report on Financial Statements - Unqualified.
2. The audit did not disclose any reportable conditions.
3. The audit did not disclose any areas of material noncompliance.
4. The audit did not disclose any reportable conditions in internal control over major program.
5. Type of Report on Compliance - Unqualified.
6. The audit did not disclose any audit findings required to be reported.
7. Major Program - Public Health Service, CFDA 93.224.
8. Dollar Threshold for Type A Program - \$ 300,000.
9. The auditee is qualified as a low-risk auditee.

B. Findings Reported in Accordance with GAGAS:

Reportable Conditions

None

Questioned Costs

None

C. Findings and Questioned Costs For Federal Awards

Reportable Conditions

None

Questioned Costs

None

TECHE ACTION BOARD, INC.
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED MAY 31, 1998

Teche Action Board, Inc.'s audit report, dated August 28, 1997, for the fiscal year ended May 31, 1997, did not disclose any material weaknesses in the Board's system of internal controls.