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SAVOY CANCER CENTER, INC.

Financial Report

Years Ended December 31, 2003 and 2002

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

Release Date 9.1.04

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INDEPENDENT AUDITORS' REPORT

* A Professional Accounting Corporation

To the Board of Directors
Savoy Cancer Center, Inc.
Mamou, Louisiana

We have audited the accompanying statement of financial position of Savoy Cancer Center, Inc. (a nonprofit organization), consisting of the Savoy Cancer Center Operations Fund and the Town of Mamou Cancer Center Building Fund as of December 31, 2003 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Savoy Cancer Center, Inc. as of December 31, 2003 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 7, 2004, on our consideration of Savoy Cancer Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the financial statements of the Savoy Cancer Center, Inc.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
April 7, 2004

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FINANCIAL STATEMENTS

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Statements of Financial Position
December 31, 2003 and 2002

	Savoy Cancer Center Operations Fund	Town of Mamou Cancer Center Building Fund	Totals (Memorandum Only)	
	2003	2003	2003	2002
ASSETS				
Current assets:				
Cash and interest-bearing deposits	\$ 133,270	\$ -	\$ 133,270	\$ 108,786
Accounts receivable, (net of allowance for billing adjustments 2003, \$657,171; 2002, \$614,312)	401,711	-	401,711	394,081
Interest receivable	1,111	-	1,111	2,508
Due from Savoy Medical Center	-	-	-	10,263
Inventory	74,237	-	74,237	60,000
Prepaid expenses	34,016	-	34,016	12,358
Total current assets	644,345	-	644,345	587,996
Restricted assets:				
Interest bearing deposits:				
Revenue bond sinking fund	-	194,142	194,142	191,687
Revenue bond depreciation and contingency fund	-	200,734	200,734	200,180
Investments:				
Revenue bond reserve fund	-	500,000	500,000	500,000
Total restricted assets	-	894,876	894,876	891,867
Property, plant, & equipment:				
Office furniture and equipment	-	17,887	17,887	13,010
Equipment	-	2,446,266	2,446,266	2,420,549
Building	-	2,641,444	2,641,444	2,635,602
Total property, plant & equipment	-	5,105,597	5,105,597	5,069,161
Accumulated depreciation	-	(645,200)	(645,200)	(384,858)
Net property, plant & equipment	-	4,460,397	4,460,397	4,684,303
Total assets	\$ 644,345	\$ 5,355,273	\$ 5,999,618	\$ 6,164,166
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 210,601	\$ -	\$ 210,601	\$ 165,105
Accrued expenses	4,593	-	4,593	6,661
Compensated absences payable	9,346	-	9,346	-
Interest payable	1,111	-	1,111	2,508
Payable from restricted assets:				
Revenue bonds payable	-	310,000	310,000	295,000
Interest payable - revenue bonds	-	76,267	76,267	81,675
Total current liabilities	225,651	386,267	611,918	550,949
Long - term liabilities				
Reserve fund payable - SMF, Inc.	-	500,000	500,000	500,000
Revenue bonds payable	-	3,850,000	3,850,000	4,160,000
Total long - term liabilities	-	4,350,000	4,350,000	4,660,000
Total liabilities	225,651	4,736,267	4,961,918	5,210,949
Net assets:				
Unrestricted and owned by Town of Mamou	418,694	619,006	1,037,700	953,217
Total liabilities and net assets	\$ 644,345	\$ 5,355,273	\$ 5,999,618	\$ 6,164,166

The accompanying notes are an integral part of this statement.

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Statements of Activities
Years Ended December 31, 2003 and 2002

	Savoy Cancer Center Operations Fund	Town of Mamou Cancer Center Building Fund	Totals (Memorandum Only)	
	2003	2003	2003	2002
Support and revenue (unrestricted):				
Support:				
Contributions	\$ 2,136	\$ -	\$ 2,136	\$ 141,689
Revenue:				
Net patient service revenue	<u>2,216,492</u>	<u>-</u>	<u>2,216,492</u>	<u>1,844,139</u>
Total support and revenue	<u>2,218,628</u>	<u>-</u>	<u>2,218,628</u>	<u>1,985,828</u>
Expenses:				
Program services:				
Salaries and benefits	667,089	-	667,089	799,800
Maintenance contracts	105,663	-	105,663	85,028
Drugs and medications	946,364	-	946,364	756,345
Supplies and materials	41,196	-	41,196	51,027
Disposal service	2,016	-	2,016	1,954
Hospital meals	3,335	-	3,335	2,320
Laundry services	1,745	-	1,745	1,288
Accelerator service consultant	<u>14,208</u>	<u>-</u>	<u>14,208</u>	<u>13,395</u>
Total program services	<u>1,781,616</u>	<u>-</u>	<u>1,781,616</u>	<u>1,711,157</u>
Support services:				
Salaries and benefits	50,141	-	50,141	26,400
Attorney fees	-	-	-	1,225
Depreciation expense	-	260,342	260,342	256,999
Dues and subscriptions	8,163	-	8,163	4,902
Repairs and maintenance	12,499	-	12,499	8,028
Utilities	63,040	-	63,040	41,571
Advertising	5,547	-	5,547	1,300
Office supplies and expenses	10,583	-	10,583	9,103
Telephone	11,580	-	11,580	18,363
Insurance	67,338	-	67,338	51,475
Other fees	840	-	840	1,910
Miscellaneous fees	23,318	-	23,318	21,823
Legal and professional fees	<u>13,043</u>	<u>-</u>	<u>13,043</u>	<u>28,137</u>
Total support services	<u>266,092</u>	<u>260,342</u>	<u>526,434</u>	<u>471,236</u>
Total expenses	<u>2,047,708</u>	<u>260,342</u>	<u>2,308,050</u>	<u>2,182,393</u>

(continued)

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Statements of Activities (Continued)
Years Ended December 31, 2003 and 2002

	Savoy Cancer Center Operations Fund	Town of Mamou Cancer Center Building Fund	Totals (Memorandum Only)	
	<u>2003</u>	<u>2003</u>	<u>2003</u>	<u>2002</u>
Excess (deficiency) of revenues over expenses	<u>170,920</u>	<u>(260,342)</u>	<u>(89,422)</u>	<u>(196,565)</u>
Nonoperating revenues (expenses):				
Transfers from (to) other fund	(170,964)	170,964	-	-
Appropriation from Town of Mamou	-	408,506	408,506	732,738
Interest income	9,054	-	9,054	10,276
Interest expense - revenue bonds	-	(239,617)	(239,617)	(255,291)
Interest expense - other	<u>(4,038)</u>	<u>-</u>	<u>(4,038)</u>	<u>(6,493)</u>
Total nonoperating revenues (expenses)	<u>(165,948)</u>	<u>339,853</u>	<u>173,905</u>	<u>481,230</u>
Increase in unrestricted net assets	4,972	79,511	84,483	284,665
Net assets, beginning	<u>413,722</u>	<u>539,495</u>	<u>953,217</u>	<u>668,552</u>
Net assets, ending	<u>\$ 418,694</u>	<u>\$ 619,006</u>	<u>\$1,037,700</u>	<u>\$ 953,217</u>

The accompanying notes are an integral part of this statement.

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Statements of Cash Flows
Years Ended December 31, 2003 and 2002

	Savoy Cancer Center Operations Fund	Town of Mamou Cancer Center Building Fund	Totals (Memorandum Only)	
	2003	2003	2003	2002
Cash flows from operating activities:				
Excess (deficiency) of revenues over expenses	\$ 170,920	\$ (260,342)	\$ (89,422)	\$ (196,565)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	-	260,342	260,342	256,999
Increase in net accounts receivable	(7,630)	-	(7,630)	(95,618)
Decrease in other assets	10,263	-	10,263	2,919
Increase in inventory	(14,237)	-	(14,237)	(60,000)
Increase in prepaid expenses	(21,658)	-	(21,658)	(4,770)
Increase (decrease) in accounts payable	45,496	-	45,496	(198)
Increase (decrease) in accrued expenses	(2,068)	-	(2,068)	6,661
Increase in compensated absences payable	9,346	-	9,346	-
Net cash provided (used) by operating activities	<u>190,432</u>	<u>-</u>	<u>190,432</u>	<u>(90,572)</u>
Cash flows from noncapital financing activities:				
Cash received from (paid to) Town of Mamou	-	-	-	(67,383)
Transfers from (to) other fund	(170,964)	170,964	-	-
Appropriation from Town of Mamou	-	408,506	408,506	732,738
Net cash provided (used) by noncapital financing activities	<u>(170,964)</u>	<u>579,470</u>	<u>408,506</u>	<u>665,355</u>
Cash flows from capital financing activities:				
Principal paid on revenue bonds	-	(295,000)	(295,000)	(280,000)
Interest paid on revenue bonds	-	(245,025)	(245,025)	(260,425)
Interest paid - Savoy Memorial Foundation note	(5,435)	-	(5,435)	(10,185)
Net cash used by noncapital financing activities	<u>(5,435)</u>	<u>(540,025)</u>	<u>(545,460)</u>	<u>(550,610)</u>
Cash flows from investing activities:				
Interest received on interest-bearing deposits	10,451	-	10,451	13,968
Acquisitions of property, plant, & equipment	-	(36,436)	(36,436)	(11,365)
Net cash provided (used) by investing activities	<u>10,451</u>	<u>(36,436)</u>	<u>(25,985)</u>	<u>2,603</u>
Net increase in cash and cash equivalents	<u>24,484</u>	<u>3,009</u>	27,493	26,776
Cash and cash equivalents, beginning of year			<u>500,653</u>	<u>473,877</u>
Cash and cash equivalents, end of year			<u>\$ 528,146</u>	<u>\$ 500,653</u>

The accompanying notes are an integral part of this statement.

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Organization

The Town of Mamou (Town) owns the cancer treatment health care facilities located in Mamou, Louisiana, which are operated (See Note 2) by Savoy Cancer Center, Inc. (Center). The Center is a nonprofit organization incorporated on June 29, 1998. The Center was formed for the purpose of operating and managing a facility for treating cancer patients and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The direction, administration and management of the Center is governed by a Board of Directors or Trustees of not less than six (6) nor more than ten (10) members. The members serve terms of one to three years.

B. Financial Statement Presentation

The Center has adopted the provisions of Statements of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations". Statement No. 117 requires the Center 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.

C. Basis of Accounting

The Center has adopted the provisions of Statements of Financial Accounting Standards No. 116 "Accounting for Contributions Received and Contributions Made". As such, contributions are recognized as revenue when they are received or unconditionally pledged. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Those donor-restricted contributions whose restrictions, however, are met in the same reporting period are reported as unrestricted support.

The Center reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Notes to Financial Statement (Continued)

D. Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with a maturity of three months or less when purchased.

E. Accounts Receivable

Accounts receivable is reported net of an allowance for billing adjustments. The allowance is based on estimates made, using industry standards, by the Savoy Cancer Center, Inc. as amounts that will actually be collected from service providers.

F. Property and Equipment

The Town of Mamou owns all property and equipment. The cost of property and equipment, which has an expected useful life in excess of two years and an acquisition cost in excess of a specified price, is capitalized. Property and equipment are valued at historical cost and will be depreciated on a straight-line basis.

G. Donated Services and Materials

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Income Taxes

The Center is a nonprofit organization and is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

J. Reclassifications

Certain reclassifications are made, as required, to conform prior years' financial statements to current year reporting.

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Notes to Financial Statement (Continued)

(2) Operating and Management Agreement

On September 16, 1999, an agreement was entered into between the Town and the Center for a fifteen-year (15) term. The Town is the owner of the cancer treatment facility and retains the services of the Center to provide experience, skills, supervision and necessary personnel for the operation and management of the facility. Various reporting and accountability requirements must be performed and submitted to the Town by the Center on a periodic basis. The Center will provide all services specified in the agreement at no fee to the Town.

The Town shall, on a monthly basis or intermittently, as determined by the Center, reimburse the Center for all operating expenses related to the operation and management of the facility. The Town is also required to maintain insurance coverage on behalf of the facility. This agreement may be terminated "for cause" by either party at any time during the term by giving written notice to the other. The Town has the right of termination without cause under specified circumstances in the agreement.

(3) Change in Accounting Principle

During the year ended December 31, 2002, the Center changed the accounting treatment with respect to the recordation of the \$5,000,000 revenue bonds issued by the Town of Mamou for the purpose of constructing the Center. Although the Town is contingently liable for payment of the bond principal and interest in the event that payments cannot be made by the Center, the bonds are secured by a conventional mortgage on the building, equipment and other facilities and the revenues generated by the Center. Additionally, all restricted cash accounts applicable to the bonds are recorded on the Center's books. Therefore, the revenue bonds payable will be recorded as a liability of the Center. In the previous year, the amount of \$5,000,000 was recorded as capital contributed by the Town. This change caused net assets for December 31, 2001 to be restated as follows:

Net assets - unrestricted, December 31, 2001		\$ 390,361
Add: Contributed capital from Town of Mamou	\$ 5,000,000	
Less: Revenue bonds payable at December 31, 2001	<u>(4,735,000)</u>	265,000
Add: Revenue bond depreciation and contingency fund balance at December 31, 2001		100,000
Less: Accrued interest payable on revenue bonds at December 31, 2001		<u>(86,809)</u>
Net assets as restated at December 31, 2001		<u>\$ 668,552</u>

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Notes to Financial Statement (Continued)

(4) Investments

The Center can invest in direct debt securities of the United States unless law expressly prohibits such an investment. The Center's investments are categorized to give an indication of the level of risk assumed by it at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Center or its agent in the Center's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the Center's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the Center's name.

The Center did not hold any investments at December 31, 2002. The carrying amounts and approximate market values of investments held at December 31, 2003 are summarized as follows:

Description	Interest Rate	Category	Carrying Amount	Fair Value
U.S. Treasury Note	2.00%	1	\$ 500,000	\$ 498,887

(5) Accounts Receivable

Accounts receivable at December 31, 2003 and 2002 consists of the following:

	2003	2002
Billed: Completed and treatments in progress	\$ 1,058,882	\$ 1,008,392
Less: Allowance for billing adjustments	(657,171)	(614,312)
Accounts receivable	<u>\$ 401,711</u>	<u>\$ 394,081</u>

(6) Due from Savoy Medical Center

The Cancer Center and Savoy Medical Center have an agreement to share utility costs due to sharing of space in the new facility. The portion to be reimbursed to the Cancer Center by Savoy Medical Center was under dispute at December 31, 2002. Until the matter was resolved, the Cancer Center estimated that 25% of total utilities paid by the Cancer Center should be owed to them by Savoy Medical Center. As of December 31, 2003 the Savoy Medical Center has reimbursed the Cancer Center for 25% of the total utilities.

(7) Inventory

Inventory consists of drugs purchased and available for use in patient treatments as of December 31, 2003. The Center instituted a new policy during 2002 whereby certain drugs and medications were purchased and a supply maintained at the facility in a drug vending machine.

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Notes to Financial Statement (Continued)

(8) Restricted Assets

Restricted assets consisted of the following at December 31, 2003:

Revenue bond sinking fund	\$ 194,142
Revenue bond depreciation and contingency fund	200,734
Revenue bond reserve fund	<u>500,000</u>
Total	<u>\$ 894,876</u>

Savoy Memorial Foundation (Foundation) donated funds in the amount of \$500,000 for the purpose of establishing a debt service reserve fund for the \$5,000,000 bonds issued by the Town of Mamou and used to construct the Savoy Cancer Center facility. The long - term liability of reserve fund payable – SMF, Inc. is also attributable to this donation of funds. As documented in the February 3, 1999 minutes of the Foundation, the interest earned on these monies must be remitted to the Foundation within three days of receipt of such earnings. The \$500,000, as well as any accrued interest, must be paid to the Foundation at the time that the Bonds have been fully paid in principal and interest.

(9) Property and Equipment

A summary of property, plant and equipment at December 31, 2003 and 2002 is as follows:

	Office Furniture	Equipment	Buildings
Balances 12/31/02	\$ 13,010	\$ 2,420,549	\$ 2,635,603
Additions	4,877	25,717	5,841
Deletions	-	-	-
Balances 12/31/03	<u>\$ 17,887</u>	<u>\$ 2,446,266</u>	<u>\$ 2,641,444</u>

All property, plant and equipment are owned by the Town of Mamou and are used as security for the revenue bonds payable.

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Notes to Financial Statement (Continued)

(10) Long-Term Liabilities

Long-term liabilities at December 31, 2003 and 2002 consisted of the following:

	2003	2002
Revenue bonds, series 1999 (collateralized by the Cancer Center) issued by the Town of Mamou, original principal of \$5,000,000, interest at 5.5% maturing serially from \$265,000 in 2001 to \$440,000 in 2014.	\$ 4,160,000	\$ 4,455,000
Reserve fund payable to Savoy Memorial Foundation, secured by \$500,000 Revenue Bond Reserve Funds, interest at variable notes, payable on September 1, 2014.	500,000	500,000
	\$ 4,660,000	\$ 4,955,000
Less: current maturities	310,000	295,000
Total long-term liabilities	\$ 4,350,000	\$ 4,660,000

Long-term debt, matures as follows:

Years	Totals
2004	310,000
2005	330,000
2006	350,000
2007	370,000
2008	390,000
2009 and thereafter	2,910,000
	\$ 4,660,000

The revenue bonds relate to the construction of the Savoy Cancer Center facility by the Town of Mamou. The Town adopted resolutions that contain certain covenants and agreements relating to the payment of the bonds. As described in Note 8, certain sinking fund deposits are required for future payment of principal and interest, reserve and contingency needs.

(11) Net Patient Service Revenue

Outpatient services related to Medicare/Medicaid program beneficiaries are paid based on a fee schedule provided by Medicare/Medicaid.

SAVOY CANCER CENTER, INC.
Mamou, Louisiana

Notes to Financial Statement (Continued)

(12) Risk Management

The Center is exposed to risks of loss in the areas of general liability, management liability and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

SUPPLEMENTARY INFORMATION

**COMPLIANCE
AND
INTERNAL CONTROL**

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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**

To the Board of Directors
Savoy Cancer Center, Inc.
Mamou, Louisiana

We have audited the financial statements of the Savoy Cancer Center, Inc. (a nonprofit organization) as of and for the year ended December 31, 2003, and have issued our report thereon dated April 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the Savoy Cancer Center, 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 the Savoy Cancer Center, 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 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.

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Fax (337) 332-2867

133 East Waddil
Markville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Drive, Suite 105
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

408 W. Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 W. Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

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

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
April 7, 2004