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CADENCE OF ACADIANA, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the press 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 10/20/04

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cadence of Acadiana, Inc.
Lafayette, Louisiana

We have audited the accompanying Statements of Financial Position of Cadence of Acadiana, Inc. (a nonprofit organization) as of June 30, 2004 and 2003, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years 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 audits 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 audits 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 Cadence of Acadiana, Inc., as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years 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 August 16, 2004, on our consideration of Cadence of Acadiana, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

**Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC**

**WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.**
Certified Public Accountants

August 10, 2004

CABENCE OF ACADIANA, INC

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2004 AND 2003

ASSETS	2004	2003
CURRENT ASSETS		
Cash and Cash Equivalents	\$ -	\$ 3,481
Accounts Receivable	618,388	182,480
Prepaid Expenses	15,433	29,742
Due From Employees	33	126
Total Current Assets	665,844	425,849
PROPERTY AND EQUIPMENT		
Furniture and Fixtures	47,443	46,186
Less: Accumulated Depreciation	(17,572)	(12,890)
Net Property and Equipment	29,871	33,296
OTHER ASSETS		
Deposits	1,244	994
TOTAL ASSETS	\$ 696,959	\$ 459,999
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Technical Overhead	\$ 608	\$ -
Accounts Payable	109,228	96,096
Accrued Payroll and Related Liabilities	82,808	88,905
Line of Credit	15,000	67,080
Notes Payable	10,266	9,325
Current Portion of Capital Lease Obligations	4,147	2,994
Due to Others	668	380
Total Current Liabilities	227,765	264,480
OTHER LIABILITIES		
Accrued Compensated Absences	16,226	22,154
Capital Lease Obligations-Long Term	4,162	2,445
Total Other Liabilities	20,388	24,599
Total Liabilities	248,153	289,079
NET ASSETS		
Unrestricted	212,803	180,920
Total Net Assets	212,803	180,920
TOTAL LIABILITIES AND NET ASSETS	\$ 460,956	\$ 470,009

The Accompanying Notes are an Integral Part of These Statements.

CADENCE OF ACADIANA, INC
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
REVENUES		
Rehabilitation Services Revenues:		
Grants	\$ -	\$ 349,257
Contracts	2,346,979	2,211,323
Other Revenues:		
Insurance Proceeds	<u>42,122</u>	<u>-</u>
Total Revenues	<u>2,389,085</u>	<u>2,560,580</u>
EXPENSES		
Program Activities:		
Case Management	2,470,901	2,276,281
Social Security/Workman's Compensation	<u>41,183</u>	<u>43,788</u>
Total	<u>2,512,114</u>	<u>2,316,049</u>
Management and General Expenses	<u>335,045</u>	<u>161,726</u>
Total Expenses	<u>2,847,160</u>	<u>2,477,775</u>
INCREASE IN NET ASSETS	71,925	88,805
NET ASSETS AT BEGINNING OF PERIOD	<u>180,918</u>	<u>72,123</u>
NET ASSETS AT END OF PERIOD	<u>\$ 252,843</u>	<u>\$ 160,928</u>

The Accompanying Notes are an Integral Part of These Statements.

CADENCE OF ACADIANA, INC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

	SOCIAL SECURITY PROGRAMS			TOTAL
	CASE	MANAGEMENT	MANAGEMENT	
	MANAGEMENT	PROGRAM	AND GENERAL	
ACTIVITIES	ACTIVITIES			
Compensation and Retained Expenses:				
Salaries	\$ 1,133,962	\$ 31,348	\$ 71,906	\$ 1,237,216
Employee Benefits				
Payroll Taxes	133,720	2,518	5,656	141,914
Group Insurance	99,840	2,048	39,181	141,069
Total	1,367,522	35,914	116,743	1,519,179
Advertising	8,284	-	-	8,284
Board Expense	-	-	1,483	1,483
Computer Expense	11,358	-	270	11,628
Consultant Fees	3,651	168	36,080	40,099
Depreciation	7,665	-	514	8,179
Donation Expense	-	-	40,000	40,000
Dues, Subscriptions and Licenses	2,647	-	1,454	4,101
Education and Professional				
Development	3,868	965	319	5,152
Insurance	37,871	216	1,271	39,358
Interest Expense	702	-	5,948	6,650
Facilities Expense	3,908	-	-	3,908
Legal Fees	-	-	328	328
Loss on Disposal of Assets	4,882	-	-	4,882
Medical Expenses	2,000	-	26	2,026
Office Expenses/Supplies	68,797	336	2,158	71,291
Professional Fees	-	-	18,787	18,787
Rent Expense	169,338	-	-	169,338
Repairs and Maintenance	11,617	-	4,063	15,680
Sanction Expense	2,628	-	-	2,628
Telephone	83,188	160	1,979	85,327
Travel	188,773	1,764	2,939	193,476
Utilities	4,801	-	-	4,801
Total	\$ 2,470,811	\$ 41,181	\$ 205,046	\$ 2,717,038

The Accompanying Notes are an Integral Part of These Statements.

CADENCE OF ACADIANA, INC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2003

	CASE MANAGEMENT PROGRAM ACTIVITIES	SOCIAL SECURITY/WORKMENS COMPENSATION		TOTAL
		PROGRAM ACTIVITIES	MANAGEMENT	
			AND-GENERAL	
Compensation and Related Expenses:				
Salaries	\$ 1,598,507	\$ 36,556	\$ 63,387	\$ 1,698,450
Employee Benefits				
Payroll Taxes	139,231	1,858	1,814	142,903
Group Insurance	65,521	1,900	-	67,421
Total	1,803,259	41,314	65,201	1,910,774
Advertising	7,176	-	336	7,512
Bad Debt Expense	-	-	887	887
Board Expenses	-	-	965	965
Computer Expense	7,682	-	-	7,682
Consultant Fees	1,164	-	39,133	40,297
Depreciation	7,159	-	314	7,473
Donation Expenses	-	-	20,000	20,000
Dues, Subscriptions and Licenses	2,459	-	373	2,832
Education and Professional Development	5,024	185	2,682	7,891
Insurance	31,887	235	30,013	62,135
Interest Expense	898	-	3,794	4,692
Arbitral Expense	3,088	-	-	3,088
Medical Expenses	2,108	-	2,086	4,194
Office Expense/Supplies	49,074	41	2,393	51,508
Professional Fees	-	-	4,880	4,880
Rent Expense	100,414	-	-	100,414
Repairs and Maintenance	33,456	-	608	34,064
Telephone	63,193	264	1,483	64,940
Travel	168,211	3,544	2,184	173,939
Utilities	3,888	-	-	3,888
Totals	\$ 2,270,261	\$ 45,788	\$ 161,736	\$ 2,477,785

The Accompanying Notes are an Integral Part of These Statements.

CADENCE OF ACADIANA, INC

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 71,955	\$ 88,805
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	8,179	8,273
Loss on Disposal of Assets	4,882	-
Changes in Operating Assets:		
Accounts Receivable	(37,880)	(102,583)
Prepaid Expenses	(4,750)	(2,750)
Due from Employees	793	790
Deposits	(340)	-
Technical Overhead	680	-
Accounts Payable	12,192	(94,176)
Accrued Payroll and Liabilities	(5,657)	5,223
Due to Others	460	(700)
Accrued Compensated Absences	4,872	(252)
Total Adjustments	<u>(16,659)</u>	<u>(145,281)</u>
Net Cash Used in Operating Activities	<u>55,296</u>	<u>(56,476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	<u>(3,721)</u>	<u>(12,556)</u>
Net Cash Used in Investing Activities	<u>(3,721)</u>	<u>(12,556)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds (Repayments) From Short-Term Borrowings	(52,000)	70,724
Principal Payments of Capital Lease Obligations	<u>(3,034)</u>	<u>(2,348)</u>
Net Cash Provided By Financing Activities	<u>(55,034)</u>	<u>68,376</u>
NET DECREASE IN CASH	(3,461)	(1,152)
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	<u>3,481</u>	<u>4,633</u>
CASH AND EQUIVALENTS, END OF PERIOD	<u>\$ -</u>	<u>\$ 3,481</u>

The Accompanying Notes are an Integral Part of These Statements.

CADENCE OF ACADIANA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Cadence of Acadiana, Inc. is a non-profit organization that provides case management services to infants and toddlers, mentally retarded/developmentally disabled waiver participants; adult disabled and elderly waiver participants and the HIV population throughout South Louisiana. The organization also provides professional vocational rehabilitation counseling and related services for injured employees who have outstanding workers' compensation claims. These services are funded by various insurance companies.

Financial Statement Presentation - Cadence of Acadiana, Inc. follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," with regard to its financial statement presentation. Under SFAS No. 117, the Organization 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.

Contributions - Cadence of Acadiana, Inc. records its public support in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Income Taxes - Cadence of Acadiana, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, Cadence has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 (a) of the Code.

Donor-Restricted Funds - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the entity reports the support as unrestricted.

Property and Equipment - Property and equipment are valued at historical cost for assets purchased and at fair market value at the date of donation for contributed assets. Donations of property and equipment are recorded as support at their estimated fair market value and are reported as unrestricted unless the donor has restricted the donated assets for a specific purpose. The Organization has a policy of capitalizing all acquisitions in excess of \$1,000.

Depreciation is computed using the straight-line method over the assets' useful lives.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2004.

CADENCE OF ACADIANA, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Donated Services - The Organization recognizes donated services that (a) create or enhance nonfinancial 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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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.

Bad Debts - Cadence of Acadiana, Inc. accounts for bad debts using the direct write-off method. Expense is recognized during the period in which a specific account is determined to be uncollectible. The effects of using this method approximate those of the allowance method.

Vacation and Sick Leave - Vacation is earned after one year of employment and is calculated based on an anniversary year. Any unused vacation as of an employee's anniversary date is forfeited. Upon separation, employees will be compensated for any unused vacation generated in the current year.

Sick leave with pay is earned at a rate of 40 hours per calendar year, commencing 90 days after employment. Sick leave may be accumulated only for use in an extended illness. No sick leave or extended illness leave is payable to an employee upon separation.

Accordingly, an accrual has been made for current accumulated vacation as of June 30, 2004.

Advertising - Advertising costs are charged to operations when incurred. Advertising expense for the year ended June 30, 2004 and 2003 was \$8,264 and \$7,914, respectively.

(B) CONCENTRATION OF CREDIT RISK

The majority of Cadence of Acadiana, Inc.'s accounts receivable balances at June 30, 2004 and 2003 were comprised of amounts due from various state agencies.

A majority of the revenues are comprised of state funded programs. A change in this funding could substantially affect the operations of the Organization.

CADENCE OF ACADIANA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

(C) CAPITAL LEASE

The Organization is the lessee of equipment under capital leases expiring in 2005 through 2007. The assets and related liabilities under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are depreciated over the lower of the related lease term or their estimated productive life. Depreciation of the assets under capital lease is included in depreciation expense for the period ended June 30, 2004 and 2003.

Minimum future lease payments under capital leases as of June 30, 2004, for each of the next five years and in the aggregate are:

	Year Ended <u>June 30</u>	<u>Amount</u>
	2005	5,132
	2006	2,591
	2007	2,338
Total minimum lease obligation		10,061
Less amount representing interest		<u>(1,711)</u>
Present value of minimum lease obligation		8,350
Less: Current portion of capital lease obligation		<u>(4,147)</u>
Present value of minimum lease obligation		<u>\$ 4,203</u>

The interest rate on these capital leases range from 13.3 to 16.6 percent per annum.

The following is an analysis of the leased property under capital lease by major asset class at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Office Equipment	\$ 14,635	\$ 8,640
Less: Accumulated Depreciation	<u>(4,088)</u>	<u>(2,180)</u>
Net Property Under Capital Lease	<u>\$ 10,547</u>	<u>\$ 6,460</u>

(D) NOTE PAYABLE

Note payable to a premium finance company dated February 1, 2004, bearing interest at a rate of 9.86 percent per annum, payable in ten monthly installments of \$2,905, maturing December 1, 2004. The balance at June 30, 2004 is \$10,266.

Note payable to a premium finance company dated February 1, 2003, bearing interest at a rate of 10.325 percent per annum, payable in ten monthly installments of \$1,900, maturing December 1, 2003. The balance at June 30, 2003 was \$9,325.

CADENCE OF ACADIANA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

(E) LINE OF CREDIT

The Organization has a line of credit with a bank to a maximum of \$100,000 secured by accounts receivable. The line matures on September 13, 2004 with interest due monthly. The interest rate is 5.5 percent per annum. The balance at June 30, 2004 and 2003 was \$25,000 and \$67,000, respectively.

(F) CASH FLOW DISCLOSURES

Cash paid during the period ended June 30, 2004 and 2003, for interest, was \$6,670 and \$4,692, respectively.

Non-Cash Financing Activities:

The Organization purchased an asset through a capital lease obligation in the amount of \$5,995 during the year ended June 30, 2004.

The Organization also purchases insurance coverage through insurance premium financing agreements. The total amount due under the financing agreements for the years ended June 30, 2004 and 2003 was \$10,266 and \$8,325, respectively.

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MICHAEL S. DEHART, **RESPONSE 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
Cadence of Acadiana, Inc.
Lafayette, Louisiana

We have audited the financial statements of Cadence of Acadiana, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated August 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cadence of Acadiana, Inc. 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 Cadence of Acadiana, 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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This report is intended solely for the information of the management and Board of Directors of Cadence of Arcadia, Inc. and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties under Louisiana Revised Statute 24:513. This report is distributed by the Legislative Auditor as a public document.

*Wright, Moore, DeHart,
Dupuis & Hutchinson, L.L.C.*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

August 14, 2004

CLINICK OF ACADIANA, INC.
SCHEDULE OF PROGRAM REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

	Care Management					Workman's Compensation	Totals
	Region 2	Region 3	Region 4	Region 5	Region 6		
REVENUES	\$ 44,082	\$ 170,812	\$ 698,793	\$ 914,913	\$ 23,828	\$ 23,828	\$ 2,786,895
EXPENSES	453,912	656,882	863,446	473,688	41,195	284,152	2,788,983
Income (Loss) Before Depreciation	(14,830)	14,928	(164,653)	77,224	(17,367)	(260,324)	86,914
DEPRECIATION	1,621	2,294	2,724	199	-	514	5,179
NET INCOME (LOSS)	\$ (16,451)	\$ 17,222	\$ (161,929)	\$ 77,423	\$ (17,367)	\$ (260,838)	\$ 71,735

See Independent Auditor's Report

CADENCE OF ACADIANA, INC.
SCHEDULE OF PROGRAM REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2003

	Case Management:					Workers' Compensation	Administration	Totals
	Region 1	Region 2	Region 4	Region 5				
REVENUES	\$ 475,302	\$ 793,461	\$ 831,952	\$ 420,184	\$	\$ 42,686	\$ 2,746	\$ 2,566,581
EXPENSES	445,892	685,154	340,182	599,272		48,788	161,202	2,480,500
Income (Loss) Before Depreciation	129,410	108,307	491,770	24,912		(2,102)	(158,456)	97,079
DEPRECIATION	1,264	2,976	3,666	262		-	314	8,272
NET INCOME (LOSS)	\$ 128,146	\$ 105,331	\$ 488,104	\$ 24,650		\$ (2,102)	\$ (158,770)	\$ 88,807

See Independent Auditor's Report.

CADENCE OF ACADIANA, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

We have audited the financial statements of Cadence of Acadiana, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated August 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. Our audit of the financial statements of June 30, 2004 resulted in an unqualified opinion.

Section I – Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes x No

Reportable Conditions ___ Yes x No

Compliance

Compliance Material to Financial Statements ___ Yes x No

B. FEDERAL AWARDS

This section is not applicable for the current year.

Section II – Financial Statement Findings

There were no reportable conditions or instances of material noncompliance noted during the audit.

Section III – Federal Award Findings and Questioned Costs

This section is not applicable for the current year.

CADENCE OF ACADIANA, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

There were no prior year findings.

CADENCE OF ACADIANA, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2004

No current year findings were noted, therefore, no response is deemed necessary.