
HEALTH CARE CENTERS IN SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2004

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 2-2-05



HEALTH CARE CENTERS IN SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2004

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Health Care Centers in Schools, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Health Care Centers in Schools, Inc. (a not-for-profit organization) as of June 30, 2004 and 2003, and the related statements of activities 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 Health Care Centers in Schools, Inc. as of June 30, 2004 and 2003, and the results of its operations 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 a report dated October 14, 2004, on our consideration of the Organization'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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 14, 2004

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash	\$ 4,453	\$ 844
Receivables	266,400	271,969
Prepaid insurance	3,838	3,700
Total current assets	<u>274,691</u>	<u>276,513</u>
Property and equipment-net	<u>33,324</u>	<u>17,122</u>
Total Assets	<u>\$ 308,015</u>	<u>293,635</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Line of credit	\$ 71,471	\$ 156,900
Accounts payable	26,258	8,751
Accrued salaries	32,818	19,740
Total Liabilities	<u>130,547</u>	<u>185,391</u>

NET ASSETS

Unrestricted	(8,804)	36,911
Temporarily restricted	186,272	71,333
Total Net Assets	<u>177,468</u>	<u>108,244</u>
Total Liabilities and Net Assets	<u>\$ 308,015</u>	<u>\$ 293,635</u>

The accompanying notes are an integral part of these statements.

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

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

	2004		
	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT AND REVENUE</u>			
Office of Public Health	\$ 1,050,792	\$ -	\$ 1,050,792
Medicaid	51,190	-	51,190
Donated services	87,994	-	87,994
Louisiana's Children's Trust Fund	-	5,000	5,000
The Frost Foundation, LTD	-	-	-
Istrouma Teen Learning	44,775	-	44,775
Baton Rouge Area Foundation	-	25,000	25,000
United Way	-	18,300	18,300
Blue Cross Blue Shield	-	5,000	5,000
Partners in Prevention	100,000	-	100,000
Area Health Education Center	-	-	-
Bell Institute of Health & Nutrition	-	-	-
Hibernia	-	-	-
St. Helena Community Center	4,900	-	4,900
Children's Miracle Network	-	20,000	20,000
Arts Council	-	5,987	5,987
Kellogg Foundation	-	150,000	150,000
New Mexico	-	10,000	10,000
Pennington Foundation	-	25,000	25,000
Miscellaneous	9,180	-	9,180
	<u>1,348,831</u>	<u>264,287</u>	<u>1,613,118</u>
Net assets released from restrictions	149,348	(149,348)	-
Total support and revenue	<u>1,498,179</u>	<u>114,939</u>	<u>1,613,118</u>
<u>EXPENSES</u>			
<u>PROGRAM SERVICES</u>			
Salaries and benefits	1,091,125	-	1,091,125
Contractual services	75,215	-	75,215
Health education	6,225	-	6,225
Other	41,733	-	41,733
Repairs and maintenance	3,650	-	3,650
Insurance	32,115	-	32,115
Interest	5,089	-	5,089
Depreciation	7,729	-	7,729
Medical supplies	27,043	-	27,043
Office supplies	21,119	-	21,119
Professional fees	43,903	-	43,903
Continuing education travel and meals	9,503	-	9,503
Total program service expenses	<u>1,364,449</u>	<u>-</u>	<u>1,364,449</u>

The accompanying notes are an integral part of these statements.

2003

Unrestricted	Temporarily Restricted	Total
\$ 1,027,647	\$ -	\$ 1,027,647
48,196	-	48,196
78,608	-	78,608
23,030	20,000	43,030
-	20,000	20,000
44,378	-	44,378
-	6,650	6,650
-	33,000	33,000
-	-	-
12,209	-	12,209
3,374	-	3,374
-	5,000	5,000
-	500	500
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,171	-	1,171
<u>1,238,613</u>	<u>85,150</u>	<u>1,323,763</u>
<u>55,444</u>	<u>(55,444)</u>	<u>-</u>
<u>1,294,057</u>	<u>29,706</u>	<u>1,323,763</u>

1,074,189	-	1,074,189
45,768	-	45,768
3,434	-	3,434
24,190	-	24,190
3,913	-	3,913
18,902	-	18,902
2,196	-	2,196
5,930	-	5,930
22,582	-	22,582
21,967	-	21,967
5,248	-	5,248
6,633	-	6,633
<u>1,234,952</u>	<u>-</u>	<u>1,234,952</u>

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

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

	2004		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT SERVICES</u>			
Salaries and benefits	\$ 123,311	\$ -	\$ 123,311
Contractual services	40,037	-	40,037
Postage	1,227	-	1,227
Office supplies	2,347	-	2,347.00
Professional fees	5,000	-	5,000
Continuing education travel and meals	4,751	-	4,751
Health Education	-	-	-
Other	2,772	-	2,772
Total support service expenses	<u>179,445</u>	<u>-</u>	<u>179,445</u>
Total expenses	<u>1,543,894</u>	<u>-</u>	<u>1,543,894</u>
<u>CHANGE IN NET ASSETS</u>	(45,715)	114,939	69,224
<u>NET ASSETS, beginning of year</u>	<u>36,911</u>	<u>71,333</u>	<u>108,244</u>
<u>NET ASSETS, end of year</u>	<u>\$ (8,804)</u>	<u>\$ 186,272</u>	<u>\$ 177,468</u>

The accompanying notes are an integral part of these statements.

2003		
Unrestricted	Temporarily Restricted	Total
\$ 86,387	\$ -	\$ 86,387
20,225	-	20,225
1,004	-	1,004
-	-	-
4,850	-	4,850
2,973	-	2,973
2,147	-	2,147
2,772	-	2,772
<u>120,358</u>	<u>-</u>	<u>120,358</u>
<u>1,355,310</u>	<u>-</u>	<u>1,355,310</u>
(61,253)	29,706	(31,547)
<u>98,164</u>	<u>41,627</u>	<u>139,791</u>
<u>\$ 36,911</u>	<u>\$ 71,333</u>	<u>\$ 108,244</u>

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

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

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 69,224	\$ (31,547)
Depreciation	7,729	5,930
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in:		
Accounts receivable	5,569	(140,123)
Accounts payable	17,507	(11,250)
Accrued salaries	13,078	982
Prepaid insurance	(138)	(3,700)
Net cash provided by (used in) operating activities	112,969	(179,708)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(23,931)	(11,161)
Net cash used in investing activities	(23,931)	(11,161)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net (payments) advances on line of credit	(85,429)	156,900
Net cash (used in) provided by financing activities	(85,429)	156,900
Net increase (decrease) in cash	3,609	(33,969)
Cash balance, beginning of year	844	34,813
Cash balance, end of year	\$ 4,453	\$ 844
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash paid during the year for interest	\$ 5,089	\$ 2,196

The accompanying notes are an integral part of these statements.

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Health Care Centers in Schools, Inc. (the Organization) is a private not-for-profit organization located in Baton Rouge, Louisiana. The Organization was created to provide comprehensive health care services to students in need at local schools. The Organization links education with physical and emotional health care to promote the overall well-being of the students. The Organization fulfills its objectives by operating eight clinics located at Glen Oaks Middle School, Westdale Middle School, Prescott Middle School, Northeast High School, Istrouma High School, Glen Oaks High School, Capitol High School, and Northeast Elementary School. These programs are funded by grants received from the State of Louisiana Office of Public Health as well as various other revenues.

The accounting and reporting policies of the Organization conform to the accounting principles generally accepted in the United States of America. The significant accounting policies used by the Organization in preparing and presenting its financial statements are summarized as follows:

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash

For purposes of the statement of cash flows, cash includes all short-term instruments having original maturities of three months or less.

Basis of presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. 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. The Organization does not have any permanently restricted net assets.

Income taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end and are determined to be past due on contractual terms. Based on management's assessment of such amounts, it has concluded that realization losses on balances outstanding at year end will be immaterial.

Property and equipment

Property and equipment are stated at historical cost. Donated property is recorded at its fair value on the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

Depreciation has been calculated using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 7 years.

Donated services

The Organization recognizes revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. The value of donated services provided by physicians for the years ended June 30, 2004 and 2003 was calculated based on the total compensation package of the physicians volunteering their time.

The organization also receives donated office space and accordingly recognizes such revenues at estimated fair market value.

Temporarily and permanently restricted net assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time or purpose. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants and contributions

The Organization accounts for grants and contributions in accordance with the requirements of Statement of Financial Accounting Standards (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 or nature of any donor restrictions.

Expense Allocation

The costs of providing various programs and other 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.

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Concentration of contributions

The Organization received approximately 65% and 78% of its annual revenues from the State of Louisiana Office of Public Health during the years ended June 30, 2004 and 2003, respectively.

3. Temporarily restricted net assets

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2004</u>	<u>2003</u>
Health education materials	\$ -	\$ 129
GAPS Program	1,230	1,230
Community Outreach Workers	-	24,675
Committed to Kids Program	-	100
Frost Foundation	-	20,000
Obesity Project	18,011	6,650
Children's Miracle Network	3,231	14,806
Go for the Grain	-	3,243
Ground Round Luncheon	73	500
Kellogg Foundation	149,103	-
Pennington Foundation	14,624	-
	<u>\$ 186,272</u>	<u>\$ 71,333</u>

4. Net assets released from restrictions

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes were as follows for the years ended June 30:

	<u>2004</u>	<u>2003</u>
Academic Distinction Fund	\$ -	\$ 1,463
Obesity Project	13,639	-
Community Outreach Workers	42,974	42,159
The Frost Foundation	20,000	-
Blue Cross Blue Shield	5,129	4,871
Children's Miracle Network	31,575	5,194
Committed to Kids	100	-
Go for the Grain	3,243	-
Ground Round Luncheon	427	-
Kellogg Foundation	897	-
Pennington Foundation	10,377	-
Children's Trust Fund	5,000	-
Arts Council	5,987	-
New Mexico	10,000	-
Bell Institute of Health and Nutrition	-	1,757
	<u>\$ 149,348</u>	<u>\$ 55,444</u>

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. **Property and equipment**

Property and equipment consisted of the following at June 30:

	2004	2003
Computer equipment	\$ 28,688	\$ 28,688
Leasehold Improvements	10,447	-
Office equipment	22,591	9,042
	61,726	37,730
Less: Accumulated depreciation	(28,402)	(20,608)
Property and equipment, net	\$ 33,324	\$ 17,122

6. **Line of credit**

The Organization has established a revolving line of credit with a bank for \$175,000. The line of credit accrues interest at a variable rate based on prime; the interest rates were 4.75% and 4.00% at June 30, 2004 and 2003, respectively. The line of credit is secured by accounts receivable and is due on demand. There were balances outstanding of \$71,471 and \$156,900 at June 30, 2004 and 2003, respectively.

7. **Leases**

The Organization leases office equipment under long-term operating lease agreements. Future annual lease payments under these agreements are as follows:

Year Ending June 30,	Amount
2005	\$ 1,909
2006	1,909
2007	1,909
2008	1,909
	\$ 7,636



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**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**

Board of Directors
Health Care Centers in Schools, Inc.
Baton Rouge, Louisiana

We have audited the accompanying financial statements of Health Care Centers in Schools, Inc. (a not-for-profit organization) as of June 30, 2004 and have issued our report thereon dated October 14, 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 the Organization's financial statements were 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 the 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 Organization'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.

This report is intended solely for the information and use of the board of directors and management of Health Care Centers in Schools, 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.

Postlethwaite ; Netterville

Baton Rouge, Louisiana
October 14, 2004

HEALTHCARE CENTERS IN SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004

A. FINDINGS – FINANCIAL STATEMENT AUDIT:

Lack of Segregation of Duties

Based on our observations and discussions with Organization personnel, we noted that the performance of accounting procedures is limited to two people, which did not provided for proper segregation of duties in all circumstances.

Management's Response:

Management believes administrative staffing increases have improved segregation of duties over the prior year. Accordingly, management has further taken steps to develop new procedures and policies to improve segregation of duties.

Auditor's Follow-up:

We noted improvements with regards to the overall administrative structure of the organization with the hiring of new staff. We believe the new procedures and policies in place have provided effective internal control.

Status:

Resolved.