

EXCELth, Inc.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

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 3-28-07

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2005	3
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2005	4
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2005	5
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2005	6
NOTES TO THE FINANCIAL STATEMENTS	7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	14
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	15
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	16
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	19
SCHEDULES OF FINDINGS AND QUESTIONED COSTS	
Schedule I - Summary of the Independent Auditors' Results.....	22
Schedule II - Financial Statement Findings for the Year Ended December 31, 2005.....	23
Schedule III - Federal Award Findings and Questioned Cost for the Year ended December 31, 2005.....	26



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
EXCELth, Inc.
New Orleans, Louisiana

We have audited the statement of financial position of **EXCELth, Inc.** (a non-profit organization) as of December 31, 2005 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the management of **EXCELth, Inc.** Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 the 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.

As a result of Hurricane Katrina, certain revenues could not be audited as a result of the destruction of supporting documentation. Accordingly, it was not practice for us to extend our audit of such receipts beyond the amounts recorded.

In our opinion except for the effects of such adjustments, if any, as might have been determined to be necessary had the revenues referred to in the proceeding paragraph been susceptible to satisfactory audit tests, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **EXCELth, Inc.** as of December 31, 2005 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.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Directors
EXCELth, Inc.
New Orleans, Louisiana
Page -2-

As discussed in Finding 2005-01, as a result of Hurricane Katrina, we were unable to audit the major programs of **EXCELth, Inc.** due to either the unavailability or destruction of records. The determination of whether the identified instance of noncompliance or the inability to audit the programs will ultimately result in the remittance of ineligible and disallowed costs cannot be presently determined.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2007, on our consideration of **EXCELth, Inc.**'s internal control over financial reporting and on 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. Also, that report identified instances of non-compliance and reportable conditions in internal control.

Our audit was made for the purpose of forming an opinion on the basic financial statements of **EXCELth, Inc.** taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 stated in all material respects in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 21, 2007

EXCELth, Inc.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2005

ASSETS

Cash (NOTE 2)	\$ 206,960
Grants receivable, net of allowance for doubtful accounts \$367,145 (NOTE 6)	73,519
Other support receivable, net of allowance for doubtful accounts \$120,000 (NOTE 7)	61,217
Management fee receivable (NOTE 10)	227,870
Other receivable	934
Property, plant, equipment, and leasehold improvements, net of accumulated depreciation and amortization \$91,428 (NOTES 2 and 8)	109,035
Deposits	<u>11,780</u>
 Total assets	 <u>\$ 691,315</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 335,554
Accrued payroll and related fringe benefits	48,493
Compensated absences (NOTE 9)	81,762
Other Payable	23,989
Deferred Revenue	<u>33,236</u>
 Total liabilities	 <u>523,034</u>
 Commitments and Contingencies (NOTE 9)	
Net Assets (NOTE 2):	
Unrestricted board designated (NOTE 11)	<u>168,281</u>
 Total net assets	 <u>168,281</u>
 Total liabilities and net assets	 <u>\$ 691,315</u>

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

EXCELth, Inc.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Support and Revenues:

Federal Grants	\$2,543,519
State Grants	939,434
Patient services	142,372
Management fee revenue	119,665
Other income	8,164
Private Grants	<u>249,879</u>

Total support and revenues 4,003,033

Expenses:

Primary healthcare	3,631,616
HIV prevention and care	355,020
Substance abuse	735,727
Social services	24,136
The Center	119,665
Metropolitan Access Project	<u>52,429</u>

Total expenses 4,918,593

Change in net assets (915,560)

Net Assets:

Beginning of year	<u>1,083,847</u>
End of year	<u>\$ 168,287</u>

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

EXCELth, Inc.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash Flows from Operating Activities:

Change in net assets	\$ (915,560)
Adjustments to reconcile change in net assets to net cash provide by operating activities:	
Allowance for Doubtful Accounts	487,145
Accumulated Depreciation	(173,944)
Increase/Decrease in:	
Decrease in grants receivable	34,584
Decrease in other support receivable	130,836
Decrease in other receivable	862
Increase in management fee receivable	(102,669)
Decrease in inventory	20,471
Increase in deposits	(90)
Increase in accounts payable	101,129
Decrease in accrued payroll and related fringe benefits	(10,010)
Decrease in compensated absences	(48,153)
Increase in other payables	9,300
Increase in deferred revenue	<u>33,236</u>
Net cash provide by operating activities	<u>(432,863)</u>

Cash Flows from Investing Activities:

Purchase of fixed assets	(94,160)
Involuntary Loss on Conversion	<u>265,918</u>
Net cash provided by investing activities	<u>171,758</u>

Net decrease in cash	(261,105)
Cash, Beginning of year	<u>468,065</u>
Cash, End of year	<u>\$ 206,960</u>

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

EXCELth, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Primary Healthcare	HIV/AIDS Prevention and Care	Substance Abuse	Social Services	The Center	Map	Total
Personal services	\$1,578,242	\$243,486	\$394,917	\$25,257	\$96,928	\$48,210	\$2,387,041
Fringe benefits	509,357	29,333	11,116	1,693	2,911	719	555,130
Penalties and Interest	69,272	-	-	-	-	-	69,272
Travel	42,143	9,474	2,703	(2,819)	-	206	51,706
Lab Fees	33,306	4,598	1,292	-	-	-	39,196
Supplies	32,348	4,397	4,594	-	80	5	41,424
Professional fees	285,659	17,340	143,978	-	-	-	446,977
Transportation	15,366	10,594	3,489	-	260	377	30,087
Other	4,599	-	2,250	-	-	-	6,859
Insurance	83,361	-	6,022	-	-	-	89,383
Rent	137,229	14,596	129,103	-	11,321	-	292,248
Utilities	7,712	-	20,032	-	-	-	27,745
Repair and maintenance	19,420	283	4,961	-	-	-	24,664
Telephone/communications	58,933	1,776	7,684	-	110	6	68,509
Public Relations and Development	375	75	-	-	-	-	450
Pharmaceutical and medical supplies	96,245	256	-	-	-	-	96,501
Depreciation	31,312	-	-	-	-	-	31,312
Amortization	13,276	-	-	-	-	-	13,276
Bad Debt	487,145	-	-	-	-	-	487,145
Dues and subscriptions	16,946	150	190	-	-	-	17,286
Meetings	17,810	3,872	1,219	-	155	-	23,057
Printing	9,912	3,025	58	-	-	1,020	14,015
Postage	3,081	209	147	5	51	3	3,496
Equipment	748	-	-	-	-	-	748
Licenses	1,022	121	653	-	-	78	1,874
Accrued Leave	-	-	-	-	7,850	1,804	9,654
Incentives/vouchers	-	1,786	600	-	-	-	2,386
Medical supplies	17,818	9,649	719	-	-	-	28,186
Involuntary loss on conversion	58,979	-	-	-	-	-	61,256
Total	\$3,631,616	\$355,020	\$735,727	\$24,136	\$119,665	\$52,429	\$4,918,593

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

EXCELth, Inc.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Organization:

EXCELth, Inc. was organized to bring together a variety of resources and services which are directed towards building local capacity to provide basic primary care services for the community. Through the administration of city, state, federal and private resources, **EXCELth, Inc.** is responsible for providing direction, leadership and resource development. These resources are utilized to ensure that primary care services such as prenatal care, pediatric, adolescent, adult and geriatric care, case management, HIV prevention, transportation, laboratory, X-ray, pharmacy and dental care are available and accessible through the network of health providers.

NOTE 2 - Summary of Significant Accounting Policies:

Principles of Accounting

EXCELth, Inc. is a non-profit community based organization whose financial statements are prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Reporting

EXCELth, Inc. has adopted the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations," which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories according to external (donor) imposed restrictions.

EXCELth, Inc.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Basis of Reporting, Continued

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

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of **EXCELth, Inc.** are included in this category.

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

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

As of December 31, 2005, **EXCELth, Inc.** did not have any temporarily or permanently restricted net assets.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at historical cost if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which is 3, 5, and 20 years.

Leasehold Improvements

As a result of Hurricane Katrina which occurred on August 29, 2005 all leasehold improvements were destroyed in the storm. Leasehold improvements are stated at cost. Amortization is provided using the straight-line method over the life of the lease which is five years. **Excelth, Inc.** wrote-off the leasehold improvements balance of \$113,794 as of December 31, 2005.

EXCELth, Inc.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Basis of Reporting, Continued

Support and Revenues

Revenues received under governmental grant programs are recognized when earned.

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

Cash Equivalents

For purposes of the statements of cash flows, **EXCELth, Inc.** considers all short-term, highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Functional Allocation of Expenses

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

Allowance for Losses

Allowances for estimated losses on receivables are provided when, in the opinion of management, such losses are expected to be incurred. Management evaluates the carrying value of these assets at least annually and the allowances are adjusted accordingly.

Inventory

As a result of Hurricane Katrina which occurred on August 29, 2005 all inventory was destroyed. Inventory is stated at the lower of cost determined by the first in-first out method or market. Due to all the inventory being destroyed by Hurricane Katrina, **Excelth Inc.** wrote-off inventory balance of \$20,471 as of December 31, 2005.

EXCELth, Inc.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Economic Dependency:

The primary source of revenue for **EXCELth, Inc.** is federal, state and local grants provided through various funding agencies. The continued success of **EXCELth, Inc.** is dependent upon the renewal of contracts from current funding sources, including the Department of Health and Human Services, obtaining new funding, as well as the positive resolution by **EXCELth, Inc.** of all questioned costs.

NOTE 4 - Income Taxes:

EXCELth, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

NOTE 5 - Concentrations of Credit Risk:

Financial instruments that potentially subject **EXCELth, Inc.** to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeded federally insured limit totaling \$277,332 as of December 31, 2005.

NOTE 6 - Grants Receivable:

Grants receivable consists of the following as of December 31, 2005:

City of New Orleans:	
Infinity -TANF	\$ <u>367,145</u>
State of Louisiana:	
Office of Public Health	7,267
Infinity	<u>66,252</u>
Sub-total	<u>73,519</u>
Less: Allowance for Doubtful Accounts	<u>(367,145)</u>
Total	<u>\$ 73,519</u>

EXCELth, Inc.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Other Support Receivable:

Other support receivable consists of the following as of December 31, 2005:

Louisiana Public Health Institute	\$ 61,217
Contract receivables - CNO	<u>120,000</u>
Sub-total	<u>181,217</u>
Less: Allowance for Doubtful Accounts	<u>(120,000)</u>
Total	<u>\$ 61,217</u>

NOTE 8 - Property, Plant, Equipment and Leasehold Improvements:

	Balance at <u>01/01/05</u>	Additions <u>(Reductions)</u>	Balance at <u>12/31/05</u>
Land	\$ -0-	\$ -0-	\$ -0-
Building	-0-	-0-	-0-
Furniture, fixtures and equipment	163,789	2,762	166,551
Vehicles	94,639	(60,727)	33,912
Accumulated depreciation	<u>(174,337)</u>	<u>82,909</u>	<u>(91,428)</u>
Net property, plant, and equipment	<u>\$ 84,091</u>	<u>\$ 24,944</u>	<u>\$ 109,035</u>
Leasehold improvements	\$ 113,794	\$(113,794)	\$ -0-
Accumulated amortization	<u>(91,035)</u>	<u>91,035</u>	<u>-0-</u>
Net leasehold improvements	<u>\$ 22,759</u>	<u>\$ (22,759)</u>	<u>\$ -0-</u>

Depreciation and amortization expense for the year ended December 31, 2005 totaled \$31,312 and \$13,276, respectively.

EXCELth, Inc.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Commitments and Contingencies:

Participation in Grant Programs

EXCELth, Inc. is a recipient of grant funds from certain funding sources. These grants are governed by various federal, state and local guidelines, regulations, and contractual agreements.

The administration of the program and activities funded by the grants are under the control and administration of **EXCELth, Inc.** and are subject to audit and/or review by the applicable funding source. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

Operating Lease

EXCELth, Inc. leases office space under an operating lease expiring March 31, 2010. Minimum future rental payments under the operating lease having remaining terms in excess of one year as of December 31, 2005 and for the subsequent years are as follows:

Year Ended December 31,

2006	94,284
2007	94,284
2008	94,284
2009	94,284
2010	<u>23,571</u>

Total	<u>\$400,707</u>
-------	------------------

Rental expense for the year ended December 31, 2005 under these leases was \$91,895.

EXCELth, Inc.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Commitments and Contingencies, Continued:

Compensated Absences

Employees of EXCELth, Inc. are entitled to paid vacation and paid sick days depending on length of service and other factors. The Company's policy is to recognize the costs of compensated absences when actually earned by employees. As of December 31, 2005, the liability recorded for compensated absences totaled \$81,762.

NOTE 10 - Management Fee Receivable:

The Center of Empowered Decision Making (the Center) (a non-profit organization) is a project of the Healthy New Orleans Partnership. EXCELth, Inc. is a member of the partnership. In January 2003, EXCELth, Inc. entered into a contractual agreement with the Center to provide management services. Such management services include maintaining financial accounting records and paying salaries/wages and payroll taxes. The amount paid to EXCELth, Inc. for management services during the year totaled \$17,000. As of December 31, 2005, the amount due from the Center totaled \$227,870.

NOTE 11 - Unrestricted Net Assets - Board Designated:

As authorized by the Board of Directors, the management of EXCELth, Inc. is required to reserve an initial amount of \$150,000 with additional increases of a maximum of 25% of quarterly surpluses thereafter. The Board of Directors has designated the amount for future operating expenses, purchasing of fixed assets and facility expansion. As of December 31, 2005, unrestricted net assets - board designated totaled \$168,281.

SUPPLEMENTARY INFORMATION

EXCELth, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>GRANTOR</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH ENTITY NUMBER</u>	<u>ACTIVITY</u>
U.S. Department of Health and Human Services			
<u>Direct Awards</u>			
Community Health Center	93.224	-----	\$2,067,768
HIV Prevention Activities Non-Governmental Organization Based	93.939	-----	261,950
Grants to provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	-----	213,801
Awards from a Pass-Through Entity <u>Through the State of Louisiana</u>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	-----	167,186
Shelter Plus Care	14.238	-----	77,676
Awards from a Pass-Through Entity <u>Through the City of New Orleans</u>			
Temporary Assistance for Needy Families (TANF)	93.558	01-HLTH-072A	<u>389,730</u>
Total Expenditures of Federal Awards			<u>\$3,118,112</u>

See the Independent Auditors' Report on Supplementary Information.

EXCELth, Inc.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 – Basis of Accounting:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **EXCELth, Inc.** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

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
EXCELth, Inc.
New Orleans, Louisiana

We have audited the financial statements of **EXCELth, Inc.** as of and for the year ended December 31, 2005 and have issued our report thereon dated February 21, 2007, which was qualified as a result of certain revenues not being able to be audited due to the destruction of supporting documentation as a result of Hurricane Katrina. Except as discussed in proceeding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **EXCELth, 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. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **EXCELth, Inc.**'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-01, 2005-02, and 2005-03.

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

(CONTINUED)

Internal Control Over Financial Reporting, (Continued)

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider audit findings 2005-01, 2005-02, and 2005-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EXCELth, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

(CONTINUED)

We also noted certain immaterial instances of noncompliance that we have reported to management of EXCELth, Inc. in a separate letter dated February 21, 2007.

This report is intended for the information and use of the Board of Directors, the audit committee, management, State of Louisiana and federal awarding agencies and pass-through entities 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.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 21, 2007

INDEPENDENT AUDITORS' 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
EXCELth, Inc.
New Orleans, Louisiana

Compliance

We have audited the compliance of **EXCELth, 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 its major federal programs for the year ended December 31, 2005. **EXCELth, Inc.**'s major federal programs are identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of **EXCELth, Inc.**'s management. Our responsibility is to express an opinion on **EXCELth, Inc.** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 **EXCELth, 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 **EXCELth, Inc.**'s compliance with those requirements.

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

(CONTINUED)

Compliance, (Continued)

As described in item 2005-05 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of **EXCELth, Inc.** with the Temporary Assistance for Needy Families Program regarding the eligibility requirement. Compliance with such requirements is necessary, in our opinion, for **EXCELth, Inc.** to comply with the requirements applicable to that program.

In our opinion except for the noncompliance described in the preceding paragraph, **EXCELth, Inc.** complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005. However, the results of our audit procedures also disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in Schedule III in the accompanying Schedule of Findings and Questioned Costs as item 2005-04.

Resolving the instances of noncompliance is the responsibility of the management of **EXCELth, Inc.** and federal officials. The determination of whether the identified instances of noncompliance will ultimately result in a disallowance of costs cannot be presently determined. Accordingly, no adjustments for any disallowance that may result has been made to federal program amounts listed in the accompanying Schedules of Expenditures of Federal Awards

Internal Control Over Compliance

The management of **EXCELth, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **EXCELth, 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.

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

Internal Control Over Compliance

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement could adversely affect **EXCELth, Inc.**'s ability to administer a major program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-04 and 2005-05.

A material weakness is a reportable 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 the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2005-04 and 2005-05 to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 21, 2007

EXCELth, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. Type of report issued on the financial statements. Qualified opinion
2. Did the audit disclose any reportable conditions in internal control. Yes
3. Were any of the reportable conditions material weaknesses. Yes
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization. No
5. Did the audit disclose any reportable conditions in internal control over major programs. Yes
6. Were any of the reportable conditions in internal control over major programs material weaknesses. Yes
7. Type of report issued on compliance for major programs. Unqualified, except for the Temporary Assistance for Needy Families Program which received a Qualified opinion
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a). Yes
9. The following is an identification of major programs:

<u>CFDA or Contract Number</u>	<u>Name of Federal Program</u>
93.224	Community Health Center
93.558	Temporary Assistance for Needy Families (TANF)

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was \$300,000.
11. Did the auditee qualify as a low risk auditee under OMB Circular A-133, Section 530. No

EXCELth, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005

COMPLIANCE

Audit Finding Reference Number

2005-01 - Destruction of Records

Condition and Perspective

As a result of Hurricane Katrina which occurred August 29, 2005, **EXCELth, Inc.** suffered extensive wind and water damage, which destroyed records. As a result, certain revenues and compliance requirements could not be audited.

Recommendation

We recommend that management of **EXCELth, Inc.** discuss these matters with the Legislative Auditor and the related federal funding sources in an effort to determine what corrective action should be undertaken.

We also recommend that management of **EXCELth, Inc.** take immediate steps to evaluate the organization's disaster recovery plan to ensure that records and supporting documentation are properly safeguarded.

EXCELth, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

INTERNAL CONTROL OVER FINANCIAL REPORTING

Audit Finding Reference Number (Continued)

2005-02 - Financial Management System

Criteria

OMB Circular A-110 specifies that financial management systems must be maintained in accordance with certain standards.

Conditions and Perspective

Again, as noted during our previous audits, management of **EXCELth, Inc.** did not consistently adhere to established accounting procedures and ensure that accounting records and general ledger accounts (i.e. cash, grants and accounts receivable, revenues, expenses and accounts payable, and due to/from) were reconciled and reviewed on a monthly basis. The aforementioned condition resulted in inaccurate financial statements being generated during the year, which limits the effectiveness of management to make financial decisions regarding **EXCELth, Inc** and have the audit report issued on a more timely basis.

Recommendation

Again, we recommend that management of **EXCELth, Inc.** adhere to established procedures and ensure that accounting records are properly maintained, reconciled, and reviewed by management on a timely basis.

EXCELth, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

INTERNAL CONTROL OVER FINANCIAL REPORTING

Audit Finding Reference Number

2005-03 - Pharmacy Operations

Criteria

OMB Circular A-110 specifies that financial management systems must be maintained in accordance with certain standards.

Conditions and Perspective

EXCELth, Inc. operates a pharmacy, in association with its health clinics, that provide pharmaceutical products to its patients and the general public.

We noted the following conditions with regard to the pharmacy operations during our audit:

- Pharmacy revenues are initially recorded based upon prescription orders being filled and not adjusted for prescriptions not being picked up by patients;
- Pharmacy billings and receivables are not properly tracked and monitored in the general ledger, resulting in significant uncollected receivables;
- Pharmacy cash collections were not reconciled to the pharmacy cash register control tapes, the pharmacy revenue reports, and amounts recorded in the general ledger;
- Pharmacy revenues were not deposited on a regular and timely basis; and a
- Perpetual inventory records were not maintained for pharmaceutical supplies.

Recommendation

We recommend that management of **EXCELth, Inc.** take immediate steps to review its pharmacy operations and correct the noted deficiencies.

EXCELth, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

2005-04 - Inventory Management of Equipment

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

93.224 - Community Health Center

Federal Award year

December 31, 2005

Federal Agencies

U.S. Department of Health and Human Services

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 3 Section F stipulates that equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

EXCELth, Inc.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE
(CONTINUED)

Audit Finding Reference Number

2005-04 - Inventory Management of Equipment, Continued

Conditions and Perspectives

As noted during our previous audit, management of **EXCELth, Inc.** had taken a physical inventory. However, the equipment and furniture inventory listing had not been reconciled to the general ledger.

Cause

We were informed by management of **EXCELth, Inc.** that the organization was unable to reconcile the listing to the general ledger.

Questioned Costs

For purpose of this condition, we have not questioned any costs.

Effect

Non-compliance with federal regulations which require that appropriate records be maintained describing the asset and its location, as well as requiring that amounts be reconciled to the general ledger.

Recommendation

Again, we recommend that management of **EXCELth, Inc.** implement procedures to reconcile the physical assets inventory listing to the general ledger on a monthly basis to ensure completeness and accuracy of the report.

EXCELth, Inc.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2005-05 - Eligibility

Federal Program and Specific Federal Award identification

CFDA Number and Title

93.558 - Temporary Assistance for Needy Families (TANF).

Condition and Perspective

As a result of Hurricane Katrina which occurred August 29, 2005, **EXCELth, Inc.** suffered extensive wind and water damage, which destroyed records. As a result, the Eligibility program requirements of the Temporary Assistance for Needy Families (TANF) Program was not audited.

Cause

EXCELth, Inc. did not have a disaster recovery plan in place which would have properly safeguarded assets.

Questioned Costs

For the purpose of this condition, we have not questioned any costs.

Effect

Documents to support the compliance with the eligibility requirement were destroyed.

EXCELth, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE
(CONTINUED)

Audit Finding Reference Number

2005-05 - Eligibility, Continued

Recommendation

We recommend that management of EXCELth, Inc. discuss these matters with the Legislative Auditor and the related federal funding sources in an effort to determine what corrective action should be undertaken.

We also recommend that management of EXCELth, Inc. take immediate steps to evaluate the organization's disaster recovery plan to ensure that records and supporting documentation are properly safeguarded.



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

Board of Directors
EXCELth, Inc.
New Orleans, Louisiana

We have audited the financial statements of **EXCELth, Inc.** for the year ended December 31, 2005, and have issued our report thereon dated February 21, 2007.

In planning and performing our audit of the financial statements, we considered the organization's internal control 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.

During our audit, we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Also, we have reviewed Management's Corrective Action Plan with regard to our December 31, 2004 management letter. The current status of the December 31, 2004 conditions have been summarized in the accompanying memorandum.

This letter does not affect our report dated February 21, 2007 on the financial statements of **EXCELth, Inc.**

EXCELth, INC.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

1. Employer's Taxes Subsidiary Ledger

Condition

We noted during our audit that Management had not reconciled the employer portion of social security and medicare taxes to the general ledger.

Cause

An entity should establish and maintain internal controls designed to ensure the accuracy of the general ledger account with the Form W-3 for payroll taxes.

Effect

Internal controls over payroll are weakened.

Recommendation

We recommend that management of EXCELth, Inc. adhere to established procedures to prepare Form W-3 accurately.

EXCELth, INC.

CURRENT YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

2. Accounts Payable Subsidiary Ledger

Condition

As in the prior year, we noted during our audit of accounts payable that management of EXCELth, Inc. was unable to provide an aged accounts payable schedule from the accounting system due to system problems. As such, management provided a manual accounts payable detail which contained several errors.

Cause

Management did not review the accounts payable detail for potential errors and reconcile the accounts payable detail to the general ledger.

Criteria

An entity should establish and maintain internal controls designed to provide reasonable assurance regarding the effectiveness and efficiency of operations and the reliability of financial reporting.

Effect

Internal controls over accounts payable are weakened.

Recommendation

We recommend that management of EXCELth, Inc. review the accounts payable detail on a monthly basis to reconcile potential posting errors in the general ledger.

EXCELth, INC.

CURRENT YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

3. Accountants Receivable Subsidiary Ledger

Condition

We noted during our audit of the accounts receivable subsidiary ledger that management of EXCELth, Inc. had not reconciled the accounts receivable detail which contained several errors to the accountants receivable subsidiary ledger. We also noted that management had not made an allowance for doubtful accounts for accounts receivable balances that have not been collected at time of field work.

Cause

Management did not review the accounts receivable detail for potential errors and reconcile the accounts receivable detail to the general ledger.

Criteria

An entity should establish and maintain internal controls designed to provide reasonable assurance regarding the effectiveness and efficiency of operations and the reliability of financial reporting.

Effect

Internal controls over accounts receivable are weakened.

Recommendation

We recommend that management of EXCELth, Inc. review the accounts receivable detail on a monthly basis to reconcile potential posting errors in the general ledger.

EXCELth, INC.

CURRENT YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

4. Due To / Due From Subsidiary Ledger

Condition

We noted during our audit of the Due To/ Due From subsidiary ledger accounts that management of EXCELth, Inc. failed to reconcile the Due To/ Due From accounts on a monthly basis.

Cause

Management did not review the Due To/ Due From accounts detail for potential errors and reconcile the Due To/Due From detail to the general ledger.

Criteria

An entity should be establish and maintain internal controls designed to provide reasonable assurance regarding the effectiveness and efficiency of operations and the reliability of financial reporting.

Effect

Internal controls over Due To /Due From accounts are weakened.

Recommendation

We recommend that management of EXCELth, Inc. review the Due To / Due From accounts on a monthly basis to reconcile potential posting errors in the general ledger.

EXCELth, INC.

CURRENT YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

5. Cash Disbursements

Condition

We noted during the test of cash disbursements that management of EXCELth, Inc. did not follow the policies and procedures for purchases, cash disbursements, and accounts payable.

Cause

An entity should establish and maintain internal controls designed to provide reasonable assurance regarding the effectiveness and efficiency of operations and the reliability of financial reporting.

Effect

Internal controls over cash disbursements are weakened.

Recommendation

We recommend that management of EXCELth, Inc. adhere to the written policies and procedures for cash disbursements.

EXCELth, INC.

CURRENT YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

6. Federal Withholding Taxes Payable Subsidiary Ledger

Condition

We noted during our audit of federal withholding taxes payable that management of EXCELth, Inc. had not reconciled the federal taxes payable detail to the federal taxes payable subsidiary ledger.

Cause

Management did not review the federal taxes payable subsidiary ledger for potential errors and reconcile the detail to the general ledger.

Criteria

An entity should establish and maintain internal controls designed to provide reasonable assurance regarding the effectiveness and efficiency of operations and the reliability of financial reporting.

Effect

Internal controls over federal taxes payables are weakened.

Recommendation

We recommend that management of EXCELth, Inc. review the federal taxes payable subsidiary ledger to reconcile potential posting errors.

EXCELth, INC.

CURRENT YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

7. Contracts

Condition

We noted during our audit that management of EXCELth, Inc. had not updated the contracts for professional services for the fiscal year.

Cause

The organization should obtain written contracts for each fiscal year.

Effect

EXCELth, Inc. did not have updated written contracts on file.

Recommendation

We recommend that management of adhere to established procedures and ensure that written contracts are updated each fiscal year.

EXCELth, INC.

STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS

1. Employer's Quarterly Federal Tax Returns

Recommendation

We recommended that management of EXCELth, Inc. adhere to established procedures to provide that the employer's quarterly federal tax return and Form W-3 are prepared accurately.

Status

Resolved.

2. Accounts Payable Subsidiary Ledger

Recommendation

We recommended that management of EXCELth, Inc. review the accounts payable detail on a monthly basis to reconcile potential postings errors in the general ledger.

Status

Unresolved. See current year management letter # 2.

3. Per Diem Allowances for Automobile

Recommendation

We recommended that management of EXCELth, Inc. develop written procedures to ensure that per diem allowances for automobile usage is included in the employees' gross income and W-2 form.

Status

Resolved.

EXCELth, INC.

STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
(CONTINUED)

4. Cash Disbursements

Recommendation

We recommended that management of EXCELth, Inc. develop written procedures to properly record travel advances and adhere to established procedures regarding cash disbursement internal controls.

Status

Partially resolved. See current year management letter # 4.

5. Allowable Costs

Recommendation

We recommend that management of EXCELth, Inc. adhere to established procedures to ensure that billings are paid timely to avoid late fees and interest charges.

Status

Resolved.

6. Contracts

Recommendation

We recommend that management adhere to established procedures and ensure that written contracts are obtained on file for all lease agreements.

Status

Resolved.

EXCELth, INC.

STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
(CONTINUED)

7. Cellular Phones

Recommendation

We recommend that management of EXCELth, Inc. formally implement written procedures that will establish criteria for issuing cell phones based on duties and responsibilities, evaluate personal usage, bill each employee at a standard rate and review the detailed monthly bills for reasonableness.

Status

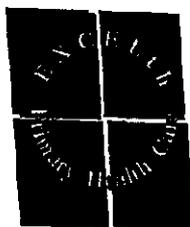
Resolved.

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

This report is intended solely for the information and use of the Board of Directors, management and 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.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 21, 2007



EXCELth, INC.

1515 Poydras Street, Ste. 1070
New Orleans, LA 70112-3723
(504) 524-1210 FAX (504) 524-1491

4560 North Blvd., Suite 118
Baton Rouge, LA 70821-0966
(225) 201-9862

Michael A. Andry Chief
Executive Officer

Monir Shalaby, MD, FAAP
Medical Director

BOARD of
DIRECTORS

Larry Jones, Sr.
President

Larry Spencer, Sr.
Vice President

Joycelyn Jagers
Secretary

Gregory Rattler, Sr.
Treasurer

Myrna Cassimere, RN, PhD

Dolores Davis

Daisy Lawson

Richwell Ison

Kim Nguyen

Jay Turkewitz, MD

Bruno & Tervalon, CPAs
4298 Elysian Fields Avenue
New Orleans, LA 70122

Re: Audit Findings for Audit Report for period ending December 31, 2005

Below is our responds to each of the audit findings as per your request. Each finding is listed and our action plan follows.

Audit Finding : 2005-01 Destruction of Records

The Independent Auditors noted that as a result of Hurricane Katrina, EXCELth, Inc. suffered extensive wind and water damage, which destroyed records. As a result, certain revenues and compliance requirements could not be audited.

Proposed Corrective Action

The facility housing the TANF funded program suffered severe damages and program records were submerged in water for weeks. The building was considered structurally unsound and judged unsafe to attempt record recovery. The extent of the damages to this program was communicated to its funding authority.

EXCELth Management has taken steps to evaluate the agency's Emergency Preparedness Plan in order to assure that future disaster recovery procedures properly safeguard records and supporting documentation.

Projected Implementation/Completion Date:

April 30, 2007

March 7, 2007

Audit Finding : 2005-02 Financial Management System

The Independent Auditors noted during the audit that management of EXCELth, Inc. did not consistently adhere to established accounting procedures and ensure that certain accounting records and general ledger accounts were reconciled on a monthly basis. The aforementioned condition resulted in inaccurate financial statements being generated during the year, which limits the effectiveness of management to make financial decisions regarding EXCELth, Inc.

Proposed Corrective Action

EXCELth management will undertake a review of the Finance Department to determine that it has the correct complement of staff and skills to maintain financial management systems in accordance with accounting standards. Reorganization of the Department will be proposed to the Board on the basis of findings. Immediately, EXCELth's Finance Department will adhere to established accounting procedures to ensure that accounting records are properly maintained, reconciled, and reviewed by management monthly. A more through review by the Board's Finance Committee will be performed monthly.

Projected Implementation/Completion Date:

Adherence to established accounting procedures shall occur monthly, effective immediately. Reorganization, if required, will be complete by September 30, 2007.

Audit Finding : 2005-03 Pharmacy Operation

The Independent Auditors noted several conditions with regard to the pharmacy operation during the year ending December 31, 2005.

Proposed Corrective Action

New pharmacy management software was installed in December, 2004 and monitored to control inventory. EXCELth's Pharmacy was completely destroyed during Hurricane Katrina. Management has decided not to re-establish the pharmacy at this time, if ever. When we reestablish the Pharmacy we will mandate operational procedures for the pharmacy to insure that noted internal control deficiencies are corrected. Pharmacy procedures will then be reviewed periodically and when warranted make necessary changes.

Projected Implementation/Completion Date: Once new Pharmacy is open (est. 2008).

Audit Finding: 2005-04 Inventory Management of Equipment

The Independent Auditors noted that management of EXCELth, Inc. had taken a physical inventory, however, the equipment and furniture inventory listing was not reconciled to the general ledger.

Proposed Corrective Action

EXCELth, Inc. will adhere to established procedures and ensure that equipment and furniture inventory listing is reconciled to the general ledger. Appropriate records will be maintained describing the assets and its location.

Projected Implementation/Completion Date: December 31, 2006

Audit Finding : 2005-05 Eligibility

The Independent Auditors noted that as a result of Hurricane Katrina, EXCELth, Inc. facilities suffered extensive wind and water damage, which destroyed records. As a result, eligibility program requirements of the TANF Program were not audited.

Proposed Corrective Action

The facility housing the TANF funded program suffered severe damages and program records were submerged in water for weeks. The building was considered structurally unsound and judged unsafe to attempt record recovery. The extent of the damages to this program was communicated to its funding authority. Copies of monitoring reports and/or records from the State of Louisiana Office of Addictive Disorders and City of New Orleans that pre-date Hurricane Katrina have been requested in that they may independently provide information upon which the auditor may rely. Upon the receipt of such, if available, we will ask the auditor to perform such testing on these to verify compliance with allowable cost/eligibility requirements.

EXCELth Management has taken steps to evaluate the agency's Emergency Preparedness Plan in order to assure that future disaster recovery procedures properly safeguard records and supporting documentation.

Projected Implementation/Completion Date:

April 30, 2007

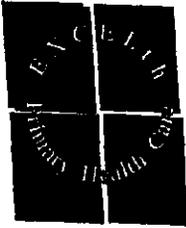
Should you have additional concerns regarding our proposed corrective action, please do not hesitate to contact us.

Sincerely,



Byron G. Tregre
Chief Financial Officer

cc: M. Andry



EXCELth, INC.

1515 Poydras Street, Ste. 1070
New Orleans, LA 70112-3723
(504) 524-1210 FAX (504)524-1491

4560 North Blvd., Suite 118
Baton Rouge, LA 70821-0966
(225) 201-9862

March 11, 2007

Michael A. Andry Chief
Executive Officer

Monir Shalaby, MD, FAAP
Medical Director

BOARD of DIRECTORS

Larry Jones, Sr.
President

Larry Spencer, Sr.
Vice President

Joycelyn Jagers
Secretary

Gregory Rattler, Sr.
Treasurer

Myrna Cassimere, RN,
PhD

Dolores Davis

Daisy Lawson

Richwell Ison

Kim Nguyen

Jay Turkewitz, MD

Bruno & Tervalon, CPAs
4298 Elysian Fields Avenue
New Orleans, LA 70122

Re: Auditors' Comments to Management for period ending December 31, 2005

Below is our responds to each of the auditors' comments per your request. Each comment is listed and our action plan follows.

Auditors' Comment: # 1 Employer's Taxes Subsidiary Ledger

The Independent Auditors noted during the audit that the employer portion of social security and medicare taxes were not reconciled to the general ledger.

Proposed Corrective Action

EXCELth's Finance Department will ensure the proper posting of employer taxes to the appropriate general ledger account and reconciled to the W-3.

Projected Implementation/Completion Date: Beginning April 1, 2005 the agency contracted with Paychex to prepare its biweekly payroll and tax returns. All portions of wages are reflected appropriately on the W-3.

Auditors' Comment: # 2 Accounts Payable Subsidiary Ledger

The Independent Auditors noted that EXCELth was unable to provide an aged accounts payable schedule from the accounting system due to system problems and that management's manual schedule of payables contained several errors.

Proposed Corrective Action

The computerized payable modular shall be reviewed semi-monthly for potential errors and corrected accordingly. The computerized aged schedule of payables shall be reconciled monthly to the general ledger.

Projected Implementation/Completion Date: Immediately

Auditors' Comment: # 3 Accounts Receivable Subsidiary Ledger

The Independent Auditors noted that the accounts receivable detail was not reconciled to the accounts receivable subsidiary ledger. The auditors also noted that an amount had not been posted to the allowance for doubtful accounts for potential uncollectible receivables at the time of the field work.

Proposed Corrective Action

EXCELth, Inc. will adhere to established procedures and ensure that proper internal controls over receivables remain intact. Review of receivable details on a monthly basis will be performed to reconcile potential posting errors in the general ledger and posting of potential uncollectible receivables to the doubtful account. Although, the financial statement reflects a total of \$487,145 in the doubtful accounts, this amount is a receivable from the City of New Orleans which also sustained damages due to the hurricane. We have contacted the City concerning these receivables and are currently awaiting payment for the services provided.

Projected Implementation/Completion Date: Immediately.

Auditors' Comment: # 4 Due To / Due From Subsidiary Ledger

The Independent Auditors noted that the due to / due from accounts were not reconciled on a monthly basis.

Proposed Corrective Action

EXCELth, Inc. will adhere to established procedures and ensure that proper review and reconciliation of due to/ due from accounts are performed on a monthly basis to prevent errors in the general ledger.

Projected Implementation/Completion Date: Immediately

Auditors' Comment: # 5 Cash Disbursements

The Independent Auditors noted during tests of cash disbursements that policies and procedures for

purchases, cash disbursements and accounts payable were not always followed.

Proposed Corrective Action

EXCELth, Inc. will adhere to established procedures to ensure proper internal controls over cash disbursements.

Projected Implementation/Completion Date: Immediately

Auditors' Comment: # 6 Federal Withholding Taxes Payable Subsidiary Ledger

The Independent Auditors noted that the federal taxes payable detail had not been reconciled to the federal taxes payable subsidiary ledger.

Proposed Corrective Action

EXCELth, Inc. will adhere to established procedures and ensure that the federal taxes payable subsidiary ledger is reconciled to prevent potential posting errors.

Projected Implementation/Completion Date: Immediately

Auditors' Comment: #7 Contracts

The Independent Auditors noted that the contract for professional services had not been updated for the current fiscal year.

Proposed Corrective Action

Management will adhere to established procedures of ensuring that a written contract is executed and on file prior to any payments.

Projected Implementation/Completion Date: Immediately

Should you have additional concerns regarding our proposed corrective action, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Byron G. Tregre". The signature is fluid and cursive, with a large loop at the end of the last name.

Byron G. Tregre
Finance Director
cc: M. Andry