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HEALTH CARE CENTERS IN SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008

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 1/21/09



HEALTH CARE CENTERS IN SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008

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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, 2008 and 2007, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2008 and 2007, 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 December 31, 2008, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 audits.

Postlethwaite : Netterville

Baton Rouge, Louisiana
December 31, 2008

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS

	2008	2007
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 58,091	\$ 281,616
Receivables	321,793	96,158
Prepaid insurance and other current assets	35,676	22,669
Total current assets	415,560	400,443
<u>FURNITURE AND EQUIPMENT, NET</u>		
Furniture and equipment, net	149,898	73,987
	149,898	73,987
Total assets	\$ 565,458	\$ 474,430

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Line-of-credit	\$ 175,000	\$ -
Accounts payable	39,607	25,891
Accrued salaries and payroll liabilities	124,617	95,597
Due to the Louisiana Assembly on School Based Health Care	57,260	195,468
Total current liabilities	396,484	316,956
<u>NET ASSETS</u>		
Unrestricted	8,241	(88,711)
Temporarily restricted	160,733	246,185
Total net assets	168,974	157,474
Total liabilities and net assets	\$ 565,458	\$ 474,430

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, 2008 AND 2007

	2008		
	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT AND REVENUE</u>			
Office of Public Health	\$ 1,199,993	\$ -	\$ 1,199,993
East Baton Rouge Parish School Board	1,703,168	-	1,703,168
East Baton Rouge Parish School Board - Title I	-	-	-
Exceptional Student Services	-	277,744	277,744
Medicaid	308,126	-	308,126
Contributions and donated services	124,576	-	124,576
Baton Rouge Area Foundation	-	10,000	10,000
Partners in Prevention	-	-	-
Kellogg Foundation	15,000	-	15,000
Amicares	-	110,000	110,000
Robert Wood Johnson Foundation	-	100,000	100,000
Other revenues and grants	88,947	45,195	134,142
	3,439,810	542,939	3,982,749
Net assets released from restrictions	628,391	(628,391)	-
Total support and revenue	4,068,201	(85,452)	3,982,749
 <u>PROGRAM SERVICE EXPENSES</u>			
Salaries and benefits	2,949,699	-	2,949,699
Professional fees	203,732	-	203,732
Contractual services	83,800	-	83,800
Medical supplies	26,425	-	26,425
Office supplies	23,102	-	23,102
Health education	2,951	-	2,951
Repairs and maintenance	89,471	-	89,471
Insurance	66,783	-	66,783
Interest	1,480	-	1,480
Depreciation	24,001	-	24,001
Travel and meetings	20,185	-	20,185
Other	17,469	-	17,469
Total program service expenses	3,509,098	-	3,509,098

The accompanying notes are an integral part of these statements.

2007

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 1,145,590	\$ -	\$ 1,145,590
1,267,226	-	1,267,226
-	129,530	129,530
-	220,403	220,403
100,050	-	100,050
105,883	-	105,883
-	115,000	115,000
48,919	-	48,919
31,500	79,476	110,976
-	150,000	150,000
-	-	-
<u>129,719</u>	<u>143,950</u>	<u>273,669</u>
2,828,887	838,359	3,667,246
775,782	(775,782)	-
<u>3,604,669</u>	<u>62,577</u>	<u>3,667,246</u>
2,546,862	-	2,546,862
190,101	-	190,101
46,600	-	46,600
34,015	-	34,015
31,451	-	31,451
1,843	-	1,843
58,646	-	58,646
78,496	-	78,496
639	-	639
14,629	-	14,629
26,031	-	26,031
34,466	-	34,466
<u>3,063,779</u>	<u>-</u>	<u>3,063,779</u>

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

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008		
	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT SERVICE EXPENSES</u>			
Salaries and benefits	\$ 346,794	\$ -	\$ 346,794
Professional fees	37,766	-	37,766
Office supplies	2,567	-	2,567
Travel and meetings	3,298	-	3,298
Other	5,777	-	5,777
Total support service expenses	396,202	-	396,202
 <u>FUNDRAISING EXPENSES</u>			
Fundraising expenses	65,949	-	65,949
Total support service expenses	65,949	-	65,949
Total expenses	3,971,249	-	3,971,249
<u>CHANGE IN NET ASSETS</u>	96,952	(85,452)	11,500
Net assets - beginning of year	(88,711)	246,185	157,474
<u>Net assets - end of year</u>	\$ 8,241	\$ 160,733	\$ 168,974

The accompanying notes are an integral part of these statements.

2007

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 321,749	\$ -	\$ 321,749
18,924	-	18,924
3,494	-	3,494
1,899	-	1,899
7,218	-	7,218
<u>353,284</u>	<u>-</u>	<u>353,284</u>
46,979	-	46,979
<u>46,979</u>	<u>-</u>	<u>46,979</u>
3,464,042	-	3,464,042
140,627	62,577	203,204
<u>(229,338)</u>	<u>183,608</u>	<u>(45,730)</u>
<u>\$ (88,711)</u>	<u>\$ 246,185</u>	<u>\$ 157,474</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008			
	Program Service Expenses	Support Service Expenses	Fundraising Expenses	Total
Salaries and benefits	\$ 2,949,699	\$ 346,794	\$ 40,195	\$ 3,336,688
Professional fees	203,732	37,766	245	241,743
Contractual services	83,800	-	-	83,800
Medical supplies	26,425	-	-	26,425
Office supplies	23,102	2,567	-	25,669
Health education	2,951	-	-	2,951
Repairs and maintenance	89,471	-	-	89,471
Insurance	66,783	-	-	66,783
Interest	1,480	-	-	1,480
Depreciation	24,001	-	-	24,001
Travel and meetings	20,185	3,298	148	23,631
Other	17,469	5,777	25,361	48,607
Total program service expenses	\$ 3,509,098	\$ 396,202	\$ 65,949	\$ 3,971,249

The accompanying notes are an integral part of these statements.

2007

<u>Program Service Expenses</u>	<u>Support Service Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
\$ 2,546,862	\$ 321,749	\$ 45,637	\$ 2,914,248
190,101	18,924	105	209,130
46,600	-	-	46,600
34,015	-	-	34,015
31,451	3,494	-	34,945
1,843	-	-	1,843
58,646	-	-	58,646
78,496	-	-	78,496
639	-	-	639
14,629	-	-	14,629
26,031	1,899	637	28,567
34,466	7,218	600	42,284
<u>\$ 3,063,779</u>	<u>\$ 353,284</u>	<u>\$ 46,979</u>	<u>\$ 3,464,042</u>

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 11,500	\$ 203,204
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	24,001	14,629
Change in accounts receivable	(225,635)	189,941
Changes in accounts payable	(124,492)	(174,729)
Change in accrued salaries and payroll liabilities	29,020	97
Change in prepaid insurance and other current assets	(13,007)	(1,296)
Net cash provided by (used in) operating activities	(298,613)	231,846
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of furniture and equipment	(99,912)	(43,966)
Net cash used in investing activities	(99,912)	(43,966)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net advances on line of credit	175,000	-
Net cash provided by financing activities	175,000	-
Net increase (decrease) in cash and cash equivalents	(223,525)	187,880
Cash and cash equivalents - beginning of year	281,616	93,736
Cash and cash equivalents - end of year	\$ 58,091	\$ 281,616
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash paid during the year for interest	\$ 1,480	\$ 639

The accompanying notes are an integral part of these statements.

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

NOTES TO FINANCIAL STATEMENTS

1. The Organization

Health Care Centers in Schools, Inc. (the Organization) is a private not-for-profit organization located in Baton Rouge, Louisiana. The Organization was created in an effort 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 clinics at several of the local schools and by coordinating the school nurse program for the East Baton Rouge Parish School Board. These programs are funded by grants received from the State of Louisiana Office of Public Health and various other revenues.

2. Summary of significant accounting policies

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:

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*. In accordance with 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 at June 30, 2008 or 2007.

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.

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 the contractual terms of the agreement. Based on management's assessment of such amounts, it has concluded that realization losses, if any, on balances outstanding at year end will be immaterial.

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

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Furniture and equipment

Furniture 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.

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 statements of activities as net assets released from restrictions.

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 was calculated based on the total compensation package of the physicians volunteering their time, and totalled approximately \$100,000 and \$97,000 for the years ended June 30, 2008 and 2007, respectively.

Contributions

The Organization accounts for 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 statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Statements of cash flows

For purposes of cash flow presentation, the Organization considers cash in operating bank accounts, cash on hand, and all short-term instruments having original maturities of three months or less to be cash and cash equivalents.

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

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

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.

Reclassifications

Certain amounts on the 2007 financial statements have been reclassified to conform with the 2008 financial statement presentation

3. Liquidity

As shown in the accompanying financial statements, the Organization had temporarily restricted net assets of \$160,733 and a liability to the Louisiana Assembly on School Based Health Care of \$57,260 at June 30, 2008. These two accounts which represent restricted funds and funds held for others totalled approximately \$218,000 at June 30, 2008, while the Organization's cash balance was approximately \$58,000.

Management has established a line-of-credit with a financial institution to provide for operational flexibility on a short-term basis and to insure that it can pay all of its obligations as they become due. Management also continues to search for additional sources of revenues, specifically grants that include reimbursement for administrative and overhead costs. It believes that these grants, along with its continued monitoring of costs, will provide sufficient liquidity for the Organization for the coming year.

4. Furniture and equipment

Furniture and equipment consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Computer equipment	\$ 161,943	\$ 62,031
Medical equipment	39,802	39,802
Office equipment	<u>40,115</u>	<u>40,115</u>
	241,860	141,948
Less: accumulated depreciation	<u>(91,962)</u>	<u>(67,961)</u>
Property and equipment, net	<u>\$ 149,898</u>	<u>\$ 73,987</u>

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

NOTES TO FINANCIAL STATEMENTS

5. Line-of-credit

The Organization has established a \$175,000 revolving line-of-credit with a regional financial institution. The outstanding balances on the line-of-credit at June 30, 2008 and 2007 were \$175,000 and \$0, respectively. The line-of-credit accrues interest at a variable rate based on prime; the interest rates were 5.00% and 8.25% at June 30, 2008 and 2007, respectively. The line-of-credit is secured by the accounts receivable of the Organization and is due on demand.

6. Temporarily restricted net assets

Temporarily restricted net assets were available for the following purposes at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Americares - Medical	\$ -	\$ 4,481
Americares - Mental	53,863	7,951
Baton Rouge Area Foundation - social workers	28,938	59,484
Baton Rouge Area Foundation - school renovations	21,750	21,750
Baton Rouge Area Foundation - electronic medical records	16,368	34,394
Baton Rouge Area Foundation - ADD	-	15,532
Blue Cross Blue Shield - electronic medical records	28,400	28,400
Capital Campaign - additional healthcare centers	1,750	26,750
Gulf Coast - technical assistance	-	14,300
Kellogg Foundation - Summer program	-	28,512
Save the Children	-	2,530
BRAF - drama teens	3,841	-
Robert Wood Johnson Foundation	5,823	-
Tobacco Free Living	-	2,101
	<u>\$ 160,733</u>	<u>\$ 246,185</u>

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

NOTES TO FINANCIAL STATEMENTS

7. Net assets released from restrictions

Net assets which were released from donor restrictions by incurring program related expenses satisfying the restricted purposes were as follows for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Americares - Medical	\$ 29,481	\$ 70,519
Americares - Mental	39,090	67,049
Baton Rouge Area Foundation - social workers	30,545	102,374
Baton Rouge Area Foundation – electronic medical records	18,026	5,606
Baton Rouge Area Foundation - ad	15,532	59,468
Blue Cross Blue Shield - electronic medical records	-	21,600
Children's Trust Fund	5,000	-
East Baton Rouge School Board - Title I	-	129,530
Exceptional Student Services	277,744	220,403
Frost Foundation	-	25,000
Kellogg Foundation - Scotlandville	-	44,476
Kellogg Foundation - Summer	10,606	6,488
Save the Children	2,530	5,370
Tobacco Free Living	30,726	17,899
Gulf Coast	14,300	-
Capital Campaign - additional healthcare centers	25,000	-
RWJ Foundation	94,177	-
BRAF - Capital campaign	10,000	-
BRAF - Drama teens	634	-
Pennington - capital campaign	25,000	-
	<u>\$ 628,391</u>	<u>\$ 775,782</u>

8. Concentration of revenues

The Organization receives a large amount of its revenues from two major sources - the State of Louisiana Office of Public Health and the East Baton Rouge Parish School Board. The revenues from these two sources represented approximately 70% of the Organization's total revenues during the years ended June 30, 2008 and 2007, respectively.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of Health Care Centers in Schools, Inc. (the Organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 31, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

This report is intended solely for the information and use of the Board of Directors and management of Health Care Centers in Schools, Inc., federal and state awarding agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under *Louisiana Revised Statute 24:513*, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite : Wettersville

Baton Rouge, Louisiana
December 31, 2008



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

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

A. Summary of audit results:

- (1) The independent auditors' report expressed an unqualified opinion on the financial statements of Health Care Centers in Schools, Inc. as of and for the year ended June 30, 2008.
- (2) No material weaknesses relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- (3) No instances of noncompliance material to the financial statements of Health Care Centers in Schools, Inc. were disclosed during the audit.
- (4) A management letter was not issued in connection with the current year audit.

B. Findings - financial statement audit:

- (1) None

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007

A. Findings - financial statement audit:

(1) None